# Point Lisas Industrial Port Development Corporation Limited

Parent and Consolidated Financial Statements

31 December 2018

*(Expressed in Trinidad and Tobago Dollars)*

# Point Lisas Industrial Port Development Corporation Limited

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# Point Lisas Industrial Port Development Corporation Limited

## Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying parent and consolidated financial statements of Point Lisas Industrial Port Development Corporation Limited (the Group) which comprise the parent and consolidated statement of financial position as at 31 December 2018 and the parent and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Group keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgment in the determination of estimates.

In preparing these audited parent and consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying parent and consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

| | |
|---|---|
| President | Vice President - Business Services |
| 10 April 2019 | 10 April 2019 |

pwc

# *Independent auditor's report*

To the Shareholders of Point Lisas Industrial Port Development Corporation Limited

## *Report on the audit of the parent and consolidated financial statements*

### *Our opinion*

In our opinion, the parent financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of Point Lisas Industrial Port Development Corporation Limited (the Parent) and the consolidated financial position of the Parent and its subsidiary (together, 'the Group') as at 31 December 2018, and their parent and consolidated financial performance and their parent and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### What we have audited

Point Lisas Industrial Port Development Corporation Limited's parent and consolidated financial statements comprise:

- the parent and consolidated statement of financial position as at 31 December 2018;
- the parent and consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the parent and consolidated statement of changes in equity for the year then ended;
- the parent and consolidated statement of cash flows for the year then ended; and
- the notes to the parent and consolidated financial statements, which include significant accounting policies.

### *Basis for opinion*

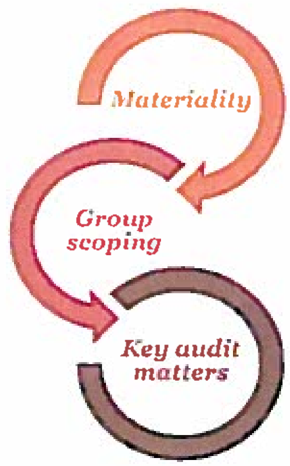
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the parent and consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## Overview




- Overall parent and group materiality of TT$7.75 million and TT$7.775 million respectively, which represents 5% of the average profit before tax for each of the last 3 years.

- The consolidated group consists of the Parent and one fully owned subsidiary (Point Lisas Terminals Limited), both of which are registered in Trinidad and Tobago.
- We performed a full scope audit of the Parent and determined that the subsidiary was financially inconsequential to the Group.

- Valuation of investment properties (Parent & Group)
- Valuation of net retirement benefit and casual employee retirement benefit obligations (Parent & Group)
- Impairment assessment of non-financial assets (Group)

### Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the parent and consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

A full scope audit was performed on the Parent as it was deemed individually financially significant. We determined that the subsidiary was inconsequential based on the limited transactional activity and balances and performed group analytical procedures in respect thereof.

Our 2018 audit was planned and executed having regard to the fact that the operations of the Group were largely unchanged from the prior year. In light of this, the areas of audit focus to which we allocated the greatest amount of resources and effort continued to be retirement benefit obligations as well as the fair value movements on investment properties in addition to the current year impairment assessment of the Group's non-financial assets due to an increase in the gap between the market capitalisation and the net assets.

# Independent auditor's report (continued)

## Our audit approach (continued)

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the parent and consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the parent and consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall parent and group materiality for the parent and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the parent and consolidated financial statements as a whole.

| | |
|---|---|
| *Overall parent and group materiality* | Parent - TT\$7.75 million<br>Group – TT\$7.775 million |
| *How we determined it* | 5% of the average profit before tax for each of the last 3 years. |
| *Rationale for the materiality benchmark applied* | We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Parent and Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds. |

We agreed with the Audit Committee that we would report to them misstatements identified during our parent and group audits above TT\$273,900 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the parent and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Valuation of investment properties (Parent & Group)***<br><br>*Refer to note 6 to the parent and consolidated financial statements for disclosures of related accounting policies and balances.*<br><br>Investment properties, carried at fair value, were TTS2,021 million as at 31 December 2018 for the Parent and Group. Included in the parent and consolidated statement of profit or loss and other comprehensive income is TTS152.4 million of fair value gains arising from the revaluation of these properties.<br><br>The investment properties, principally comprising freehold and leasehold land, represent a significant portion of the asset base of the Parent and Group. Management values these assets at fair value using valuation models, which include unobservable inputs. Management uses an external valuation expert to compute the fair value annually.<br><br>Data from the lease contracts of the land size, rent rates, currency of agreement and lease tenure are provided to the expert, which is then used to determine a present value of the future cash flows associated with the land whilst it is occupied by tenants. Projected cash flows also consider the renewal of existing leases for a further 30 years as allowed within the lease agreements. The present value of the vacated land at the end of the lease term is included in the estimate of the fair value. This is determined based on land prices used in the most recent real estate market transactions and is modified for the relative location of the property compared with the Group's other properties.<br><br>There are significant judgments and estimates to be made in relation to the valuation of the Group's investment properties. The most significant judgments being the extension of the leases for an additional 30 years, the adjusted land prices and the discount rates. The existence of significant estimation uncertainty, coupled with the material value of the properties, is why we have given specific audit focus and attention to this area. | We obtained, understood and evaluated management's valuation method. We tested the mathematical accuracy of the calculations and obtained support for the data inputs and we assessed the independence and competence of management's valuation expert.<br><br>We read the valuation report which included all investment properties and discussed the report with management's valuation expert. We evaluated whether the valuation approach for each property was in accordance with professional valuation standards and suitable for use in determining the carrying value of the investment properties.<br><br>We reviewed the report provided by management's expert by performing the following procedures, challenging management's assumptions where appropriate:<br><br>• We assessed the likelihood of the continued occupation and extension of the leases using available market data and evaluated the expert's assumptions focusing on the tenants' ability and intent to continue their operations at the leased properties. We also assessed the ability to recover amounts timely in order to identify concerns around the financial condition of the tenants as part of our testing of the receivables balances.<br>• We compared the land prices used by management's expert to current real-estate listings available from reputable realtors adjusted for the actual sizes of the properties.<br>• We compared the discount rates used by management to the yield of a Government of Trinidad and Tobago bond of a similar period.<br>• We tested, on a sample basis, the accuracy of the data inputs into the valuation model by verifying the size of property, rent rates, currency of agreement and rent expiry dates against signed contractual lease agreements and related addendums as applicable.<br><br>We did not identify any contradictory information that would require adjustment to management's assumptions nor any evidence of management bias.<br><br>We found no material exceptions resulting from the testing performed. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

***Valuation of net retirement benefit and casual employee retirement benefit obligations (Parent & Group)***

*Refer to notes 18 a. and 18 b. to the parent and consolidated financial statements for disclosures of related accounting policies and balances.*

The amounts for the retirement benefit obligation and the casual employee retirement benefit obligation on the face of the parent and consolidated statement of financial position are presented as (i) the net of the fair value of the pension plan assets and the present value of the defined benefit obligation, and (ii) the present value of the casual employee retirement benefit.

The Group sponsors a funded pension plan for its eligible full time employees and an unfunded retirement benefit plan for its casual employees. As at 31 December 2018, the Group and Parent had a combined net retirement and casual employee retirement benefit obligation of TT$53.9 million.

Pension plan assets:

- Management utilises the work of the plan's institutional Trustee to perform its valuation of the plan's assets which are not traded on active markets.
- The Trustee has developed a methodology which is used to value these unquoted investments. Significant judgment and assumptions are utilised due to the limited external evidence available to support the valuations.

Retirement benefit and casual employee retirement benefit obligations:

- Management utilises the work of an actuarial expert to perform certain calculations with respect to the estimated obligations.
- The present value of the retirement benefit obligations depends on certain factors that are determined using a number of assumptions in assessing the obligations with the key assumptions being the discount rate, mortality rates and salary increases.

Based on the magnitude and the high degree of estimation uncertainty in assessing both the asset values and the retirement benefit obligations, this is an area of focus for the audit.

Pension plan assets:

- We assessed the methodology used for valuing the plan's assets, focusing particularly on the valuation of unquoted investments.
- For the more judgmental valuations, which depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by the Trustee by performing an independent valuation of a sample of positions.

Retirement benefit obligations:

- We evaluated the key assumptions, in particular the discount rate, mortality rates and salary increase assumptions as follows:
  - i. We compared the discount rate used by management to the yield of a Government of Trinidad and Tobago bond of a similar period.
  - ii. We compared the mortality rates to publicly available statistics.
  - iii. Salary increases were compared to historical increases and the current economic climate was taken into account in assessing their reasonableness.
- We tested the integrity of the census data used in the actuarial calculation by comparing it to personnel files.
- We assessed the independence and competence of the actuary used by management to calculate the retirement benefit obligations.

There were no material exceptions noted in our testing of the retirement benefit obligations.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of non-financial assets (Group)***<br><br>*Refer to notes 3 and 5 to the parent and consolidated financial statements for disclosures of related accounting policies and balances.*<br><br>At the statement of financial position date, the market capitalisation of the Group was significantly less than the net assets of the Group. Under IAS 36: 'Impairment of non-financial assets', this is an external indicator of impairment. As such, management determined that an impairment assessment was required to determine if the net assets of the Group were impaired.<br><br>The most significant asset groups included on the statement of financial position are investment properties of TTS2,021 million and property, plant and equipment (PP&E) of TTS766 million.<br><br>Investment properties are carried at fair value as noted in the key audit matter 'Valuation of investment properties'.<br><br>Land, buildings and site improvements of TTS369 million included within PP&E are also carried at fair value in accordance with the Group's accounting policies. Management performs periodic independent valuations on the land, buildings and site improvements to assess whether the fair value of the assets differs materially from their carrying amount.<br><br>We therefore focused our impairment assessment audit work on the carrying value of the remaining TTS397 million of PP&E not carried at fair value. This relates primarily to port and estate infrastructure of TTS365 million consisting of berths and piers, port equipment and estate infrastructure. Management have determined that the port and estate operations comprise one cash generating unit.<br><br>In determining the fair value less cost of disposal for impairment, management utilised valuation techniques to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. | We considered the method used by management to perform the impairment assessment and found it to be appropriate based on the requirements of the accounting standards.<br><br>We understood and evaluated management's valuation method and engaged our own auditor's expert to assist us in evaluating the reasonableness of management's fair value measurement of the berths and piers given the specialised nature of these assets.<br><br>We assessed the independence and competence of management's valuation expert and, with the assistance of our expert, we read the valuation report, discussed it with management's expert and obtained explanations for the data inputs and assumptions used. We further tested the mathematical accuracy of the calculations.<br><br>We reviewed the DRC methodology applied, wherein management's valuation expert estimated the RCN and made deductions for physical deterioration and, with the assistance of our expert, challenged the significant inputs and assumptions into the valuation by performing the following audit procedures:<br><br>• Direct Costs: we utilised contractor quotes from recent rehabilitation projects and reviewed the drawings and plans of the berths in order to evaluate the appropriateness of the extrapolations performed based on the size of the berths.<br><br>• Indirect Costs: we developed a reasonable percentage range based on knowledge of other similar projects and rates typically applied in the industry, taking into consideration factors such as demand, area and design and compared the range to management's indirect cost percentage applied.<br><br>• Construction finance: management estimated a construction period and determined construction finance on a percentage of the total direct and indirect costs using an applicable interest rate. We assessed the construction period along with the rate used to determine whether management's percentage applied was within an expected range based on similar projects and typical rates applied in the industry. We further compared the interest rate used to loans granted to the Group for similar projects. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of non-financial assets (Group) (continued)***<br><br>Due to the specialised nature of the port's berths and piers, management engaged external independent valuators for the valuation at the current year end date using the depreciated replacement cost (DRC) approach. Management considered this to be the most reliable method given relevant information, such as sales or rental transactions, is not readily available due to there being no public active market for specialised assets of this nature.<br><br>The DRC approach involves a number of complexities and judgments. The most significant are the estimation of the replacement cost new (RCN) defined as the current cost of a similar new asset having the nearest equivalent utility as the asset being appraised, as well as deductions for physical deterioration. The significant inputs and assumptions utilised include the following:<br><br>• Direct costs inclusive of materials, labour and equipment<br>• Indirect costs including engineering, architect, and other professional fees<br>• Construction finance<br>• Entrepreneurial profit<br>• Functional and economic obsolescence<br>• Estimation of physical deterioration<br><br>As the recoverable amount derived from the valuation of the port's berths and piers was higher than the carrying amount of the port and estate operations' cash generating unit, management determined no impairment provision was required.<br><br>Based on the magnitude and the high degree of estimation uncertainty in assessing the fair values of the assets assessed for impairment, this was an area of focus for the audit. | • Entrepreneurial profit: management calculated the incentive or reward required to induce a developer to undertake a development as a percentage of direct and indirect costs and construction finance. We assessed the rate applied to determine whether it was within a reasonable range.<br><br>• Functional and economic obsolescence: we assessed the assumptions of management's valuation experts including factors such as government regulations, restrictions and recent upgrades and assessed their application to the berths and piers for reasonableness in the circumstances.<br><br>• Physical deterioration: we tested the average rate of depreciation applied to main structures and infrastructure by evaluating the assumptions relating to the effective age as well as the normal useful lives (NUL) and recalculated the physical deterioration. The NUL utilised was assessed against reputable, third party construction cost guides used in the industry for reasonableness.<br><br>Based on the procedures performed above, we found the assumptions to be consistent and in line with our expectations and no impairment provision was identified. |

# Independent auditor's report (continued)

## Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the parent and consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the parent and consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the parent and consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the parent and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of management and those charged with governance for the parent and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent and consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent and consolidated financial statements, management is responsible for assessing the Group and Parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Parent's financial reporting process.

## Auditor's responsibilities for the audit of the parent and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

*Auditor's responsibilities for the audit of the parent and consolidated financial statements (continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent and consolidated financial statements, including the disclosures, and whether the parent and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Haseeb Mohammed.

PricewaterhouseCoopers

11 April 2019
Port of Spain
Trinidad, West Indies

# Point Lisas Industrial Port Development Corporation Limited

## Parent and Consolidated Statement of Financial Position

*(Expressed in Trinidad and Tobago Dollars)*

| Parent As at 31 December 2017 $'000 | Parent As at 31 December 2018 $'000 | | Notes | Group As at 31 December 2018 $'000 | Group As at 31 December 2017 $'000 |
|---|---|---|---|---|---|
| | | **Assets** | | | |
| | | *Non-current assets* | | | |
| 760,811 | 766,059 | Property, plant and equipment | 5 | 766,059 | 760,811 |
| 1,869,233 | 2,020,905 | Investment properties | 6 | 2,020,905 | 1,869,233 |
| 2,645 | 2,724 | Trade receivables | 10 | 2,724 | 2,645 |
| 16,143 | 17,122 | Deferred income tax assets | 8 c. | 17,122 | 16,143 |
| 320 | 320 | Investment in subsidiary | 1 a. | -- | -- |
| -- | 897 | Financial asset at amortised cost | 7 | 897 | -- |
| 1,317 | 1,416 | Financial assets at fair value through other comprehensive income | 7 b. | 1,416 | 1,317 |
| 2,650,469 | 2,809,443 | | | 2,809,123 | 2,650,149 |
| | | *Current assets* | | | |
| 17,073 | 16,116 | Inventory | 9 | 16,116 | 17,073 |
| 32,038 | 38,680 | Trade and other receivables | 10 | 39,587 | 32,923 |
| -- | -- | Taxation recoverable | | 739 | 739 |
| 121,041 | 116,519 | Cash and cash equivalents | 11 | 116,750 | 121,057 |
| 170,152 | 171,315 | | | 173,192 | 171,792 |
| 2,820,621 | 2,980,758 | **Total assets** | | 2,982,315 | 2,821,941 |
| | | **Equity and liabilities** | | | |
| | | *Equity attributable to owners of the parent* | | | |
| 139,968 | 139,968 | Stated capital | 12 | 139,968 | 139,968 |
| (32) | (32) | Unallocated ESOP shares | 14 | (32) | (32) |
| 249,960 | 246,688 | Revaluation reserves | 15 | 246,688 | 249,960 |
| 2,013,220 | 2,177,333 | Retained earnings | | 2,179,477 | 2,015,332 |
| 2,403,116 | 2,563,957 | | | 2,566,101 | 2,405,228 |
| | | *Non-current liabilities* | | | |
| 150,059 | 136,671 | Long and medium-term borrowings | 16 | 136,671 | 150,059 |
| 28,360 | 27,026 | Retirement benefit obligation | 18 a. | 27,026 | 28,360 |
| 25,445 | 26,915 | Casual employee retirement benefit | 18 b. | 26,915 | 25,445 |
| 97,628 | 99,774 | Deferred income tax liabilities | 8 c. | 99,774 | 97,628 |
| 59,131 | 58,066 | Deferred lease rental income | 19 c. | 58,066 | 59,131 |
| 360,623 | 348,452 | | | 348,452 | 360,623 |

## Point Lisas Industrial Port Development Corporation Limited

### Parent and Consolidated Statement of Financial Position (continued)
*(Expressed in Trinidad and Tobago Dollars)*

| Parent As at 31 December 2017 $'000 | Parent As at 31 December 2018 $'000 | | Notes | Group As at 31 December 2018 $'000 | Group As at 31 December 2017 $'000 |
|---|---|---|---|---|---|
| | | *Current liabilities* | | | |
| 14,385 | 13,219 | Long and medium-term borrowings | 16 | 13,219 | 14,385 |
| 4,498 | 4,474 | Deferred lease rental income | 19 c. | 4,474 | 4,498 |
| 36,266 | 42,536 | Trade and other payables | 20 | 41,946 | 35,466 |
| 1,733 | 1,305 | Current income tax liabilities | | 1,308 | 1,741 |
| – | 6,815 | Bank overdraft | | 6,815 | – |
| 56,882 | 68,349 | | | 67,762 | 56,090 |
| 417,505 | 416,801 | **Total liabilities** | | 416,214 | 416,713 |
| 2,820,621 | 2,980,758 | **Total equity and liabilities** | | 2,982,315 | 2,821,941 |

The notes on pages 17 to 77 are an integral part of these parent and consolidated financial statements.

On 10 April 2019, the Board of Directors of Point Lisas Industrial Port Development Corporation Limited authorised these parent and consolidated financial statements for issue.

_______________ Director _______________ Director

## Point Lisas Industrial Port Development Corporation Limited

### Parent and Consolidated Statement of Profit or Loss and Other Comprehensive Income

*(Expressed in Trinidad and Tobago Dollars)*

| Parent Year ended 31 December 2017 $'000 | Parent Year ended 31 December 2018 $'000 | | Notes | Group Year ended 31 December 2018 $'000 | Group Year ended 31 December 2017 $'000 |
|---|---|---|---|---|---|
| 256,774 | 279,789 | Revenue | 19 | 279,789 | 256,774 |
| (87,728) | (89,909) | Cost of providing services | 22 | (88,817) | (86,635) |
| 169,046 | 189,880 | **Gross profit** | | 190,972 | 170,139 |
| 37,695 | 152,445 | Unrealised fair value gains on investment properties | 6 | 152,445 | 37,695 |
| (93,895) | (94,434) | Administrative expenses | 22 | (95,048) | (94,511) |
| (73,260) | (76,205) | Other operating expenses | 22 | (76,205) | (73,260) |
| 39,586 | 171,686 | **Operating profit** | | 172,164 | 40,063 |
| 2,200 | 1,280 | Investment income | 7 c. | 1,280 | 2,200 |
| (3,248) | (3,672) | Finance costs | | (3,674) | (3,250) |
| 38,538 | 169,294 | **Profit before taxation** | | 169,770 | 39,013 |
| (34) | (4,990) | Taxation charge | 8 a. | (5,434) | (478) |
| 38,504 | 164,304 | **Profit for the year** | | 164,336 | 38,535 |
| | | **Other comprehensive income** | | | |
| | | **Items that may be subsequently reclassified to profit or loss** | | | |
| 25 | 99 | Change in value of financial assets at fair value through other comprehensive income | 7 b. | 99 | 25 |
| | | **Items that will not be reclassified to profit or loss** | | | |
| | | Remeasurements of: | | | |
| 215 | – | Gain on revaluation of property, plant and equipment | 15 a. | – | 215 |
| 2,355 | 326 | Retirement benefit obligation | 18 a. | 326 | 2,355 |
| (184) | 1,020 | Casual employee retirement benefit | 18 b. | 1,020 | (184) |
| 40,915 | 165,749 | **Total comprehensive income for the year** | | 165,781 | 40,946 |
| | | **Earnings per share** | | | |
| 97¢ | 415¢ | **Basic earnings per share** | 13 | 415¢ | 97¢ |
| 97¢ | 412¢ | **Diluted earnings per share** | 13 | 412¢ | 97¢ |

The notes on pages 17 to 77 are an integral part of these parent and consolidated financial statements.

## Parent and Consolidated Statement of Changes in Equity (continued)

*(Expressed in Trinidad and Tobago Dollars)*

| Parent | Notes | Stated capital $'000 | Revaluation reserves $'000 | Investment revaluation reserves $'000 | Unallocated ESOP shares $'000 | Retained earnings $'000 | Shareholders' equity $'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | | | |
| **Balance as at 1 January 2018** | | 139,968 | 249,581 | 379 | (32) | 2,013,220 | 2,403,116 |
| Change to accounting policy | 7 | -- | -- | -- | -- | (3,719) | (3,719) |
| **Restated Total Equity at start of year** | | 139,968 | 249,581 | 379 | (32) | 2,009,501 | 2,399,397 |
| Transfer of revaluation reserve to retained earnings | 15 | -- | (3,371) | -- | -- | 3,371 | -- |
| Comprehensive income | | | | | | | |
| - Profit for the year | | -- | -- | -- | -- | 164,304 | 164,304 |
| Other comprehensive income | | | | | | | |
| - Change in value of financial assets at fair value through other comprehensive income | 7 b. | -- | -- | 99 | -- | -- | 99 |
| - Remeasurements of retirement benefit obligation | 18 a. | -- | -- | -- | -- | 326 | 326 |
| - Remeasurements of casual employee retirement benefit | 18 b. | -- | -- | -- | -- | 1,020 | 1,020 |
| Transactions with owners | | | | | | | |
| - Dividends | 12 b. | -- | -- | -- | -- | (1,189) | (1,189) |
| **Balance as at 31 December 2018** | | 139,968 | 246,210 | 478 | (32) | 2,177,333 | 2,563,957 |
| **Year ended 31 December 2017** | | | | | | | |
| **Balance as at 1 January 2017** | | 139,968 | 251,947 | 354 | (32) | 1,972,342 | 2,364,579 |
| Transfer of revaluation reserve to retained earnings | 15 | -- | (2,581) | -- | -- | 2,581 | -- |
| Comprehensive income | | | | | | | |
| - Profit for the year | | -- | -- | -- | -- | 38,504 | 38,504 |
| Other comprehensive income | | | | | | | |
| - Change in value of financial assets at fair value through other comprehensive income | 7 b. | -- | -- | 25 | -- | -- | 25 |
| - Remeasurements of retirement benefit obligation | 18 a. | -- | -- | -- | -- | 2,355 | 2,355 |
| - Remeasurements of casual employee retirement benefit | 18 b. | -- | -- | -- | -- | (184) | (184) |
| - Gain on revaluation of property, plant and equipment (PPE) | | -- | 215 | -- | -- | -- | 215 |
| Transactions with owners | | | | | | | |
| - Dividends | | -- | -- | -- | -- | (2,378) | (2,378) |
| **Balance as at 31 December 2017** | | 139,968 | 249,581 | 379 | (32) | 2,013,220 | 2,403,116 |

The notes on pages 17 to 77 are an integral part of these parent and consolidated financial statements.

## Point Lisas Industrial Port Development Corporation Limited

**Parent and Consolidated Statement of Changes in Equity (continued)**

*(Expressed in Trinidad and Tobago Dollars)*

| Group | Notes | Stated capital $'000 | Revaluation reserves $'000 | Investment revaluation reserves $'000 | Unallocated ESOP shares $'000 | Retained earnings $'000 | Shareholders' equity $'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | | | |
| **Balance as at 1 January 2018** | | 139,968 | 249,581 | 379 | (32) | 2,015,332 | 2,405,228 |
| Change to accounting policy | 7 | – | – | – | – | (3,719) | (3,719) |
| **Restated Total Equity at start of year** | | 139,968 | 249,581 | 379 | (32) | 2,011,613 | 2,401,509 |
| Transfer of revaluation reserve to retained earnings | 15 | – | (3,371) | – | – | 3,371 | – |
| Comprehensive income | | | | | | | |
| - Profit for the year | | – | – | – | – | 164,336 | 164,336 |
| Other comprehensive income | | | | | | | |
| - Change in value of financial assets at fair value through other comprehensive income | 7 b. | – | – | 99 | – | – | 99 |
| - Remeasurements of retirement benefit obligation | 18 a. | – | – | – | – | 326 | 326 |
| - Remeasurements of casual employee retirement benefit | 18 b. | – | – | – | – | 1,020 | 1,020 |
| Transactions with owners | | | | | | | |
| - Dividends | 12 b. | – | – | – | – | (1,189) | (1,189) |
| **Balance as at 31 December 2018** | | 139,968 | 246,210 | 478 | (32) | 2,179,477 | 2,566,101 |
| **Year ended 31 December 2017** | | | | | | | |
| **Balance as at 1 January 2017** | | 139,968 | 251,947 | 354 | (32) | 1,974,423 | 2,366,660 |
| Transfer of revaluation reserve to retained earnings | 15 | – | (2,581) | – | – | 2,581 | – |
| Comprehensive income | | | | | | | |
| - Profit for the year | | – | – | – | – | 38,535 | 38,535 |
| Other comprehensive income | | | | | | | |
| - Change in value of financial assets at fair value through other comprehensive income | 7 b. | – | – | 25 | – | – | 25 |
| - Remeasurements of retirement benefit obligation | 18 a. | – | – | – | – | 2,355 | 2,355 |
| - Remeasurements of casual employee retirement benefit | 18 b. | – | – | – | – | (184) | (184) |
| - Gain on revaluation of property, plant and equipment (PPE) | 15 a. | – | 215 | – | – | – | 215 |
| Transactions with owners | | | | | | | |
| - Dividends | | – | – | – | – | (2,378) | (2,378) |
| **Balance as at 31 December 2017** | | 139,968 | 249,581 | 379 | (32) | 2,015,332 | 2,405,228 |

The notes on pages 17 to 77 are an integral part of these parent and consolidated financial statements.

# Point Lisas Industrial Port Development Corporation Limited

## Parent and Consolidated Statement of Cash Flows

*(Expressed in Trinidad and Tobago Dollars)*

| Parent Year ended 31 December 2017 $'000 | Parent Year ended 31 December 2018 $'000 | | Notes | Group Year ended 31 December 2018 $'000 | Group Year ended 31 December 2017 $'000 |
|---|---|---|---|---|---|
| 32,431 | 51,315 | **Cash generated from operating activities** | 11 c. | 51,981 | 32,888 |
| | | **Returns on investments and servicing of finance** | | | |
| (2,771) | (2,884) | Interest paid | | (2,886) | (2,771) |
| 29,660 | 48,431 | | | 49,095 | 30,117 |
| (4,212) | (4,827) | Income tax paid | | (5,276) | (4,845) |
| 25,448 | 43,604 | **Net cash generated from operating activities** | | 43,819 | 25,272 |
| | | **Cash flows from investing activities** | | | |
| (35,122) | (39,021) | Purchases of property, plant and equipment | 5 | (39,021) | (35,122) |
| 162 | -- | Proceeds from sale of property, plant and equipment | | -- | 162 |
| -- | (897) | Purchase of bonds | | (897) | -- |
| 588 | 579 | Interest received | | 579 | 588 |
| (34,372) | (39,339) | **Net cash used in investing activities** | | (39,339) | (34,372) |
| | | **Cash flows from financing activities** | | | |
| (13,323) | (14,554) | Repayment of long and medium-term borrowings | | (14,554) | (13,323) |
| 1,061 | -- | Proceeds from long and medium-term borrowings | | -- | 1,061 |
| (2,378) | (1,189) | Dividends paid | 12 b. | (1,189) | (2,378) |
| (14,640) | (15,743) | **Net cash used in financing activities** | | (15,743) | (14,640) |
| (23,564) | (11,478) | **Net decrease in cash and cash equivalents** | | (11,263) | (23,740) |
| 144,553 | 121,041 | **Cash and cash equivalents at beginning of year** | | 121,057 | 144,745 |
| 52 | 141 | Efftects of exchange rate changes on cash and cash equivalents | | 141 | 52 |
| 121,041 | 109,704 | **Cash and cash equivalents at end of year** | 11 | 109,935 | 121,057 |

The notes on pages 17 to 77 are an integral part of these parent and consolidated financial statements.

## 1 Incorporation and principal activities

Point Lisas Industrial Port Development Corporation Limited (the Corporation) was incorporated on 16 September 1966 under the laws of the Republic of Trinidad and Tobago and has a primary listing on the Trinidad and Tobago Stock Exchange. Its registered office is located at PLIPDECO House, Orinoco Drive, Point Lisas Industrial Estate, Point Lisas, Couva, Trinidad, West Indies. The Corporation Sole (Government of the Republic of Trinidad and Tobago) is owner of 51% of the issued share capital.

Point Lisas Terminals Limited, a wholly owned subsidiary, was incorporated in the Republic of Trinidad and Tobago in 1981 and is solely involved in the supply of labour to the parent company for its cargo handling operations at the port.

Point Lisas Industrial Port Development Corporation Limited and its wholly owned subsidiary, Point Lisas Terminals Limited (together, the Group), are engaged in the following provision of services:

| | |
|---|---|
| Industrial estate management | Development and maintenance of onshore infrastructure, such as roads, lighting, drainage and including a Free Zone area, for the purpose of leasing. |
| Cargo handling | Provision of cargo handling services for import, export and transhipment vessels. The Port facilitates the receipt, storage and delivery of containerised, dry and liquid bulks, breakbulk and general cargo. |
| Marine | Coordination of all movement of vessels at the Port and neighbouring piers, inclusive of the berthing and unberthing operations as well as mooring and unmooring services. |
| Warehousing | Provision of less than container load warehousing services for both import and export trade and non-trade cargo. The less than container load warehousing service for export cargo facilitates intra-regional trade. |
| Security | Provision of security support to tenants on the Industrial Estate and Port users. Matters relating to the Port and Ship-to-Shore activities as it relates to the International Ship and Port Facility Security (ISPS) are handled by this unit. |

a. *Investment in subsidiary*

The Group's subsidiary at 31 December 2018 consists of Point Lisas Terminals Limited which is 100% owned for $320 (320,002 shares of no par value) (2017: $320 (320,002 shares of no par value)).

## 2 Transactions with related parties

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Labour (See Note 1) | 61,455 | 60,790 |
| Post retirement benefits | 410 | 423 |
| Key management compensation | 3,190 | 2,940 |

## 2 Transactions with related parties (continued)

a. *Principles of consolidation*

The consolidated financial statements include those of the parent company and its wholly owned subsidiary, Point Lisas Terminals Limited. All inter-company transactions, balances and unrealised gains/losses have been eliminated in the preparation of the Group's financial statements.

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

In the parent company financial statements, the investment in the subsidiary is shown at cost less impairment.

(ii) *Changes in ownership interests in subsidiaries without change in control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Disposal of subsidiaries*

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## 3 Critical estimates, judgments and errors

The preparation of parent and consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.
This note provides an overview of the areas that involve a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgments is included in notes referred to below together with information about the basis of calculation for each affected line item in the parent and consolidated financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of changes to previous estimates.

### a. *Significant estimates and judgments*

The areas involving significant estimates or judgments are:

- Estimation of fair values of land and buildings and investment properties – Notes 5 and 6
- Estimation of retirement benefit pension obligation – Note 18 a.
- Estimation of casual employee retirement benefit – Note 18 b.
- Estimation of income taxes
- Estimation of forward looking assumptions under IFRS 9 – Note 10.
- Estimates in the assessment of impairment of property, plant and equipment – Note 5.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.The Group did not use any estimates in the adoption of IFRS 15 as no assumptions are used to determine the revenue recognition.

*Income taxes*

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made. See Note 8 c.

*Impairment of accessment of non-financial assets of the Group*

Estimates are required in determining the recoverable amount of assets to assess whether an impairment exists. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. An asset is impaired when its carrying amount exceeds its recoverable amount. IAS 36 'Impairment of non-financial assets' describes some indications that an impairment loss may have occurred. If any of those indications are present, the Group will make a formal estimate of recoverable amount. At the statement of financial position date, the market capitalisation of the Group was significantly less than the net assets of the Group. As such, management determined that an impairment assessment was required to determine if the net assets of the Group were impaired.
See note 5 e.

### 4 Financial risk management

The Group has exposure to the following risks:

a. Credit risk
   - (i) Risk management
   - (ii) Security
   - (iii) Credit quality
   - (iv) Impaired trade receivables
   - (v) Exposure to credit risk

b. Liquidity risk

c. Market risk
   - (i) Foreign exchange risk
   - (ii) Interest rate risk
   - (iii) Price risk

d. Capital risk management

This note contains information about the Group's exposure to each of the above risks and the objectives, policies and processes for managing and measuring the risk. Further quantitative disclosures are also included in the referred notes.

a. *Credit risk*

The Group is exposed to credit risk, which is the risk that its customers and counterparties may cause a financial loss by failing to discharge their contractual obligations. Credit risk arises from cash equivalents, deposits with financial institutions as well as outstanding receivables. The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk. Management does not expect any losses from non-performance by counterparties. There was no concentration of risk due to the number and diversity of operations of the customer base.

There were no changes in the policies and procedures for managing credit risk compared with prior year.

(i) *Risk management*

Cash and deposits are held with a number of reputable financial institutions, in amounts varying between $8 and $50,000 (2017: $8 and $62,984).

(ii) *Security*

There are no trade receivables for which the Group has obtained any form of guarantee, deeds of undertaking or letters of credit.

4 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iii) *Credit quality*

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

| *Cash at bank* | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Parent** | | |
| Cash at bank | 116,470 | 120,925 |
| **Group** | | |
| Cash at bank | 116,698 | 120,940 |

The rest of the parent and consolidated statement of financial position item cash and cash equivalents comprises cash in hand.

*Trade receivables*

All counterparties below do not have external credit ratings.

| | | |
|---|---|---|
| Group 2 | 5,020 | 2,430 |

Group 1 - new customers (less than 6 months).
Group 2 - existing customers (more than 6 months) with no defaults in the past.
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

(iv) *Exposure to credit risk*

The following is a summary of the Group's maximum exposure to credit risk:

| **Parent** | Fully performing $'000 | Past due $'000 | Impaired $'000 | Provision for impairment $'000 | Total $'000 |
|---|---|---|---|---|---|
| **31 December 2018** | | | | | |
| Financial asset at amortised cost | 897 | -- | -- | -- | 897 |
| Cash at bank | 116,470 | -- | -- | -- | 116,470 |
| Trade receivables | 5,020 | 16,862 | 3,298 | (3,298) | 21,882 |
| Other receivables (excluding prepayments) | 4,131 | -- | -- | -- | 4,131 |
| | 126,518 | 16,862 | 3,298 | (3,298) | 143,380 |

4 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *Exposure to credit risk (continued)*

**Parent (continued)**

| | Fully performing $'000 | Past due $'000 | Impaired $'000 | Provision for impairment $'000 | Total $'000 |
|---|---|---|---|---|---|
| **31 December 2017** | | | | | |
| Cash at bank | 120,925 | -- | -- | -- | 120,925 |
| Trade receivables | 2,430 | 15,250 | 925 | (925) | 17,680 |
| Other receivables (excluding prepayments) | 6,475 | -- | -- | -- | 6,475 |
| | 129,830 | 15,250 | 925 | (925) | 145,080 |

The Company does not hold any collateral in relation to these assets.

**Group**

| | Fully performing $'000 | Past due $'000 | Impaired $'000 | Provision for impairment $'000 | Total $'000 |
|---|---|---|---|---|---|
| **31 December 2018** | | | | | |
| Financial asset at amortised cost | 897 | -- | -- | -- | 897 |
| Cash at bank | 116,698 | -- | -- | -- | 116,698 |
| Trade receivables | 5,020 | 16,862 | 3,298 | (3,298) | 21,882 |
| Other receivables (excluding prepayments) | 5,038 | -- | -- | -- | 5,038 |
| | 127,653 | 16,862 | 3,298 | (3,298) | 144,515 |
| **31 December 2017** | | | | | |
| Cash at bank | 120,940 | -- | -- | -- | 120,940 |
| Trade receivables | 2,430 | 15,250 | 925 | (925) | 17,680 |
| Other receivables (excluding prepayments) | 7,360 | -- | -- | -- | 7,360 |
| | 130,730 | 15,250 | 925 | (925) | 145,980 |

The Group does not hold any collateral in relation to these assets.

The Group recognises provision for losses for assets subject to credit risk using the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group uses the following approaches in arriving at expected losses

- The simplified approach (for trade receivables)
- The general approach (for all other financial assets)

4 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *Exposure to credit risk (continued)*

*The simplified approach*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for Trade Receivables. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. Accordingly, a lifetime expected loss allowance is used from day 1. To measure the lifetime loss allowance, the Group first considers whether any individual customer accounts require specific provisions. Loss rates are then assigned to these accounts based on an internal risk rating system considering various qualitative and quantitative factors. All other non-specific trade receivables are then grouped based on shared credit risk characteristics and the days past due.

*The general approach*

Under the general approach, the Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk each company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, including the following:

- External credit ratings for bonds (as far as available). Where such ratings are not available, the Group applies certain assumptions and derives an equivalent rating for the respective securities.

- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed

- if a debtor is more than 30 days past due in making a contractual payment.
- If the bond issuer's credit rating has been downgraded from investment grade to non-investment grade.

A default on a financial asset occurs in the following circumstances:

- When the issuer of a bond has missed a payment of principal or interest or has announced its intention to suspend payments on part or all of its financial obligations, or
- For all other financial assets, when the counterparty fails to make contractual payments within 90 days of when they fall due.

*Incorporation of forward-looking information*

Historical loss rates for trade receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified no indicators to have an impact so no forward looking rate was applied.

4 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *Exposure to credit risk (continued)*

*Assets written off*

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments, even after several attempts at enforcement and/or recovery efforts. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

*Summary of ECL calculations*

The simplified approach (trade receivables)

A summary of the assumptions underpinning the company's expected credit loss model under the simplified approach is further analysed below showing:

- Specific provisions
- General provisions using a standardised provision matrix

The following is a summary of the ECL on trade receivables. The estimated EAD excludes a specific customer where there is a special arrangement for settlement. As a result, there is no risk of deault of this balance of $7,405.

| Aging Bucket | Average ECL rate | Estimated EAD | Expected credit loss |
|---|---|---|---|
| | % | $000 | $000 |
| Current (0-30 days) | 1.02 | 3,545 | 37 |
| 31 to 60 days | 5.40 | 1,537 | 83 |
| 61 to 90 days | 13.63 | (265) | (37) |
| Over 90 days | 23.53 | 12,958 | 3,049 |
| | 17.62 | 17,775 | 3,132 |

The movement in the provision for expected credit losses for trade receivables is as follows. This includes an amountof $166 (2017:$245) for the discounting of two trade receivable balances.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| 31 December calculated under IAS 39 | 925 | 1,399 |
| Amounts restated through opening retained earnings | 3,719 | – |
| Opening loss allowance as at 1 January 2018 – calculated under IFRS 9 | 4,644 | 1,399 |
| Write back of prior year provision | (679) | – |
| Decrease in loss allowance recognised in profit or loss during the year | (588) | (719) |
| Impairment loss – discounting | – | 245 |
| Unwinding of discount | (79) | -- |
| Balance at end of year | 3,298 | 925 |

The following is an analysis of the net impairment expense on financial assets recognised in profit loss:

| | | |
|---|---|---|
| Net changes to provisions for the year per above | (588) | (719) |

## 4 Financial risk management (continued)

### b. *Liquidity risk*

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Group's liquidity risk management process is measured and monitored by senior management within the Group. This process includes:

- Monitoring cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of collateral which can be used to secure facilities.
- Maintaining committed lines of credit.
- Maintaining liquidity ratios.

There were no changes in the policies and procedures for managing liquidity risk compared with prior year.

**Parent**

| | < 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | |
| Borrowings | 20,635 | 23,901 | 63,933 | 79,096 | 187,565 | 149,890 |
| Bank overdraft | 6,815 | – | – | – | 6,815 | 6,815 |
| Trade payables | 3,758 | – | – | – | 3,758 | 3,758 |
| Due to subsidiary | 6,233 | – | – | – | 6,233 | 6,233 |
| Other payables (excluding statutory liabilities) | 31,221 | – | – | – | 31,221 | 31,221 |
| **Total** | 68,662 | 23,901 | 63,933 | 79,096 | 235,592 | 197,917 |

| | < 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | |
| Borrowings | 21,507 | 20,871 | 57,691 | 76,537 | 176,606 | 164,444 |
| Trade payables | 4,060 | – | – | – | 4,060 | 4,060 |
| Due to subsidiary | 6,406 | – | – | – | 6,406 | 6,406 |
| Other payables (excluding statutory liabilities) | 24,593 | – | – | – | 24,593 | 24,593 |
| **Total** | 56,566 | 20,871 | 57,691 | 76,537 | 211,665 | 199,503 |

4 **Financial risk management (continued)**

b. *Liquidity risk (continued)*

**Group**

| | < 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | |
| Borrowings | 20,635 | 23,901 | 63,933 | 79,096 | 187,565 | 149,890 |
| Bank overdraft | 6,815 | – | – | – | 6,815 | 6,815 |
| Trade payables | 3,758 | – | – | – | 3,758 | 3,758 |
| Other payables (excluding statutory liabilities) | 33,785 | – | – | – | 33,785 | 33,785 |
| **Total** | 64,993 | 23,901 | 63,933 | 79,096 | 231,923 | 192,248 |

| | < 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | |
| Borrowings | 21,507 | 20,871 | 57,691 | 76,537 | 176,606 | 164,444 |
| Trade payables | 4,060 | – | – | – | 4,060 | 4,060 |
| Other payables (excluding statutory liabilities) | 26,866 | – | – | – | 26,866 | 26,866 |
| **Total** | 52,433 | 20,871 | 57,691 | 76,537 | 207,532 | 195,370 |

The fair values are based on cash flows discounted using the borrowing rates and the facilities drawn down at year end as disclosed in Note 16. There were no fixed rate loans as at 31 December 2018 and 2017.

c. *Market risk*

Market risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate because of changes in market prices. The Group takes on exposure to market risks from changes in foreign exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis.

(i) *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages its foreign exchange risk by the following:

- Ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.
- Holding foreign currency balances.
- Invoicing only in an exchange currency like the US$ or in TT$.

**4 Financial risk management (continued)**

c. *Market risk (continued)*

(i) *Foreign exchange risk (continued)*

There were no changes in the policies and procedures for managing foreign currency risk compared with prior year. The impact on the parent and consolidated statement of profit or loss and other comprehensive income at 31 December 2018 if the US$ strengthened/weakened against the TT$ by an average rate of 5% is a loss or gain of $253 (2017: $458) respectively.

(ii) *Interest rate risk*

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market rates. The Group finances its operations through a mixture of retained profits and borrowings. The Group is also exposed to interest rate risk on cash held on deposit and borrowings. The Group manages the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. There were no changes in the policies and procedures for managing interest rate risk compared with prior year.

At 31 December 2018 and 2017, there were no fixed rate interest borrowings for the Group. The sensitivity to interest rate fluctuations are disclosed in Note 16 d. The contractual cash flows and carrying amounts of these floating rate borrowings are also disclosed in Note 16 e.

(iii) *Price risk*

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the parent and consolidated statement of financial position as available-for-sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. There were no changes in the policies and procedures for managing price risk compared with prior year.

d. *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the parent and consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'shareholders' equity' as shown in the parent and consolidated statement of financial position plus net debt. Gearing is the measure of financial leverage, demonstrating the degree to which the Group's activities are funded by owner's funds versus creditor's funds.

The Group's policy is to keep the ratio at less than or equal to 50%.

4 **Financial risk management (continued)**

d. *Capital risk management (continued)*

There were no changes in the policies and procedures for managing capital risk management compared with prior year.

There are no externally imposed capital requirements that the Group must adhere to.

The gearing ratios as at 31 December 2018 and 2017 were as follows:

| Parent | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Net debt | 40,186 | 43,403 |
| Total equity | 2,563,957 | 2,403,116 |
| Total capital | 2,604,143 | 2,446,519 |
| Gearing ratio | 2% | 2% |
| Cash and cash equivalents | 116,519 | 121,041 |
| Borrowings – repayable within one year (including overdraft) | (20,034) | (14,385) |
| Borrowings – repayable after one year | (136,671) | (150,059) |
| Net debt | 40,186 | 43,403 |
| Cash | 116,519 | 121,041 |
| Gross debt – variable interest rates | (156,705) | (164,444) |
| Net debt | (40,186) | (43,403) |

| | Other Assets | Liabilities from financing activities | | |
|---|---|---|---|---|
| | Cash/ bank overdraft | Borrowing due within 1 year | Borrowing due after 1 year | Total |
| | $'000 | $'000 | $'000 | $'000 |
| Net debt as at 1 January 2017 | 144,553 | (14,761) | (161,945) | (32,153) |
| Cash flows | (23,564) | (1,062) | 13,324 | (11,302) |
| Foreign exchange adjustments | 52 | -- | -- | 52 |
| Other changes | -- | 1,438 | (1,438) | -- |
| **Net debt as at 1 January 2018** | 121,041 | (14,385) | (150,059) | (43,403) |
| Cash flows | (11,478) | 1,335 | 13,219 | 3,076 |
| Foreign exchange adjustments | 141 | -- | -- | 141 |
| Other changes | -- | (169) | 169 | -- |
| **Net debt as at 31 December 2018** | 109,704 | (13,219) | (136,671) | (40,186) |

### 4 Financial risk management (continued)

#### d. *Capital risk management (continued)*

| Group | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Net debt | 39,955 | 43,387 |
| Total equity | 2,566,101 | 2,405,228 |
| Total capital | 2,606,056 | 2,448,615 |
| Gearing ratio | 2% | 2% |
| Cash and cash equivalents | 116,750 | 121,057 |
| Borrowings – repayable within one year (including overdraft) | (20,034) | (14,385) |
| Borrowings – repayable after one year | (136,671) | (150,059) |
| Net debt | 39,955 | 43,387 |
| Cash | 116,750 | 121,057 |
| Gross debt – variable interest rates | (156,705) | (164,444) |
| Net debt | (39,955) | (43,387) |

| | Other Assets | Liabilities from financing activities | | |
|---|---|---|---|---|
| | Cash/ bank overdraft | Borrowing due within 1 year | Borrowing due after 1 year | Total |
| | $'000 | $'000 | $'000 | $'000 |
| Net debt as at 1 January 2017 | 144,745 | (14,761) | (161,945) | (31,961) |
| Cash flows | (23,740) | (1,062) | 13,324 | (11,478) |
| Foreign exchange adjustments | 52 | – | – | 52 |
| Other changes | – | 1,438 | (1,438) | – |
| **Net debt as at 1 January 2018** | 121,057 | (14,385) | (150,059) | (43,387) |
| Cash flows | (11,263) | 1,335 | 13,219 | 3,291 |
| Foreign exchange adjustments | 141 | – | – | 141 |
| Other changes | – | (169) | 169 | – |
| **Net debt as at 31 December 2018** | 109,935 | (13,219) | (136,671) | (39,955) |

## 4 Financial risk management (continued)

### e. *Financial instruments by category*

| Parent | 2018 $'000 | 2017 $'000 |
|---|---|---|

*Loans and receivables*

The accounting policies for financial instruments have been applied to the line items below:

| | | |
|---|---|---|
| Trade receivables | 21,882 | 17,680 |
| Other receivables (excluding prepayments) | 4,131 | 6,475 |
| Cash at bank | 116,470 | 120,925 |
| | 142,483 | 145,080 |
| Financial asset at amortised cost | 897 | -- |
| Financial assets at fair value through other comprehensive income | 1,416 | 1,317 |
| | 144,796 | 146,397 |

The Company has no assets at fair value through profit or loss.

*Other financial liabilities*

Liabilities as per parent and consolidated statement of financial position

| | | |
|---|---|---|
| Trade payables | 3,758 | 4,060 |
| Other payables (excluding statutory liabilities) | 31,221 | 24,593 |
| Due to subsidiary | 6,233 | 6,406 |
| Bank overdraft | 6,815 | -- |
| Borrowings | 149,890 | 164,444 |
| | 197,917 | 199,503 |

The Company has no liabilities at fair value through profit or loss.

**Group**

*Loans and receivables*

The accounting policies for financial instruments have been applied to the line items below:

| | | |
|---|---|---|
| Trade receivables | 21,882 | 17,680 |
| Other receivables (excluding prepayments) | 5,038 | 7,360 |
| Cash at bank | 116,698 | 120,940 |
| | 143,618 | 145,980 |
| Financial asset at amortised cost | 897 | -- |
| Financial assets at fair value through other comprehensive income | 1,416 | 1,317 |
| | 145,931 | 147,297 |

The Group has no assets at fair value through profit or loss.

## 4 Financial risk management (continued)

### e. *Financial instruments by category (continued)*

| **Group (continued)** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| *Other financial liabilities* | | |
| Liabilities as per parent and consolidated statement of financial position | | |
| Trade payables | 3,758 | 4,060 |
| Other payables (excluding statutory liabilities) | 33,785 | 26,866 |
| Bank overdraft | 6,815 | -- |
| Borrowings | 149,890 | 164,444 |
| | 192,248 | 195,370 |

The Group has no liabilities at fair value through profit or loss.

## 5 Property, plant and equipment – parent/group

The subsidiary has no property, plant and equipment.

| | Land $'000 | Own Site improvements $'000 | Estate Infrastructure $'000 | Berths and piers $'000 | Port equipment $'000 | Buildings $'000 | Equipment, furniture and fittings $'000 | Capital work in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | | | | | |
| Opening net book amount | 255,620 | 72,802 | 61,679 | 152,219 | 87,403 | 46,470 | 22,131 | 62,487 | 760,811 |
| Additions | -- | 282 | 582 | -- | 6,985 | -- | 1,573 | 29,599 | 39,021 |
| Transfers from capital work in progress | -- | 1,595 | -- | 66,403 | 8,690 | 166 | 296 | (77,150) | -- |
| Disposals/adjustments | -- | -- | -- | -- | -- | -- | (26) | -- | (26) |
| Depreciation | -- | (5,765) | (776) | (4,603) | (14,232) | (1,777) | (6,594) | -- | (33,747) |
| Closing net book amount | 255,620 | 68,914 | 61,485 | 214,019 | 88,846 | 44,859 | 17,380 | 14,936 | 766,059 |
| **At 31 December 2018** | | | | | | | | | |
| Cost/valuation | 255,620 | 80,657 | 77,912 | 296,293 | 249,257 | 48,407 | 86,604 | 14,936 | 1,109,686 |
| Accumulated depreciation | -- | (11,743) | (16,427) | (82,274) | (160,411) | (3,548) | (69,224) | -- | (343,627) |
| Net book amount | 255,620 | 68,914 | 61,485 | 214,019 | 88,846 | 44,859 | 17,380 | 14,936 | 766,059 |
| **Year ended 31 December 2017** | | | | | | | | | |
| Opening net book amount | 255,620 | 78,515 | 62,452 | 155,940 | 90,296 | 48,055 | 30,135 | 40,654 | 761,667 |
| Additions | -- | 215 | -- | -- | 162 | 185 | 933 | 33,627 | 35,122 |
| Transfers from capital work in progress | -- | 50 | -- | 871 | 10,151 | -- | 722 | (11,794) | -- |
| Revaluation | -- | -- | -- | -- | -- | -- | 215 | -- | 215 |
| Disposals/adjustments | -- | -- | -- | -- | -- | -- | (927) | -- | (927) |
| Depreciation | -- | (5,978) | (773) | (4,592) | (13,206) | (1,770) | (8,947) | -- | (35,266) |
| Closing net book amount | 255,620 | 72,802 | 61,679 | 152,219 | 87,403 | 46,470 | 22,131 | 62,487 | 760,811 |
| **At 31 December 2017** | | | | | | | | | |
| Cost/valuation | 255,620 | 78,780 | 77,330 | 229,890 | 233,582 | 48,240 | 84,901 | 62,487 | 1,070,830 |
| Accumulated depreciation | -- | (5,978) | (15,651) | (77,671) | (146,179) | (1,770) | (62,770) | -- | (310,019) |
| Net book amount | 255,620 | 72,802 | 61,679 | 152,219 | 87,403 | 46,470 | 22,131 | 62,487 | 760,811 |
| **At 31 December 2016** | | | | | | | | | |
| Cost/valuation | 255,620 | 78,515 | 83,983 | 229,018 | 248,280 | 48,055 | 88,352 | 40,654 | 1,072,477 |
| Accumulated depreciation | -- | -- | (21,531) | (73,078) | (157,984) | -- | (58,217) | -- | (310,810) |
| Net book amount | 255,620 | 78,515 | 62,452 | 155,940 | 90,296 | 48,055 | 30,135 | 40,654 | 761,667 |

## 5 Property, plant and equipment (continued)

a. *Accounting policy*

Land, own site improvements and buildings comprise mainly properties used in connection with the port operations and offices and are shown at fair value based on valuations by external independent valuators, less subsequent depreciation for buildings and own site improvements (land is not depreciated). Independent valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land, own site improvements and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserves directly in equity; all other decreases are charged to the parent and consolidated statement of profit or loss and other comprehensive income. The difference between depreciation based on the revalued carrying amount of the asset charged to the parent and consolidated statement of profit or loss and other comprehensive income, and depreciation based on the asset's original cost is transferred from "revaluation reserve" to "retained earnings". See Note 15.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the parent and consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation on assets (except land) is calculated at varying rates to allocate cost or revalued amounts of each asset to their residual values over their estimated useful lives. Depreciation is calculated as follows:

| | | | |
|---|---|---|---|
| Own site improvements | - | 5% | straight-line basis |
| Estate infrastructure | - | 1% | straight-line basis |
| Berths and piers | - | 2% | straight-line basis |
| Port equipment | - | 6.67% | straight-line basis |
| Buildings | - | 3.33% | straight-line basis |
| Equipment, furniture and fittings | - | 10% - 33.3% | reducing balance basis |

Equipment, furniture and fittings comprise motor vehicles, computer equipment and other assets.

Based on independent professional advice, buildings are being written off over their estimated useful lives, on the straight-line basis, over a period not in excess of thirty years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recorded within the parent and consolidated statement of profit or loss and other comprehensive income. On disposal of revalued assets, the amounts included in the revaluation reserves are transferred to retained earnings.

5 **Property, plant and equipment (continued)**

b. *Significant fair value estimate*

The land, buildings and own site improvements were last revalued on 31 December 2016 by independent professional qualified valuers, Raymond & Pierre Chartered Valuation Surveyors.

The following table analyses the non-financial assets carried at fair value. The different levels of fair value measurements have been defined in Note 24 c.:

*Fair value measurements using*

| | Quoted prices in active markets for identical assets (level 1) $'000 | Significant other observable inputs (level 2) $'000 | Significant unobservable inputs (level 3) $'000 |
|---|---|---|---|
| **As at 31 December 2018** | | | |
| Recurring fair value measurements | | | |
| - Land | -- | -- | 255,620 |
| - Own site improvements | -- | -- | 68,914 |
| - Buildings | -- | -- | 44,859 |

| | Quoted prices in active markets for identical assets (level 1) $'000 | Significant other observable inputs (level 2) $'000 | Significant unobservable inputs (level 3) $'000 |
|---|---|---|---|
| **As at 31 December 2017** | | | |
| Recurring fair value measurements | | | |
| - Land | -- | -- | 255,620 |
| - Own site improvements | -- | -- | 72,802 |
| - Buildings | -- | -- | 46,470 |

There were no transfers between levels during the year.

The Group's management annually reviews the latest valuations performed by the independent valuator for financial reporting purposes. At each financial year end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with the independent valuator.

The property has been developed as an individual estate with its own port facilities with emphasis on energy-based industries. The existing use is the highest and best to which the property could be put. The size and layout of the property was taken into consideration in the valuation. Based on the valuation the buildings appeared to be modern, structurally sound and in fair to good decorative condition and assumed to be adequate and appropriate for a structure of its size, type and use.

Level 3 fair values of land has been derived using the Sales Comparison Approach. Sales prices of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

Level 3 fair value of buildings and own site improvements have been derived using the Depreciated Replacement Cost Method. Under the Depreciated Replacement Cost Method, the gross replacement costs of the buildings were estimated and appropriate deductions were made for economic and functional obsolescence and environmental factors in order to arrive at a net or depreciated replacement cost. Gross replacement costs include the costs of infrastructural works and professional fees. The most significant input into this valuation approach is the construction price per square foot.

## 5 Property, plant and equipment (continued)

### b. *Significant fair value estimate (continued)*

The subsidiary has no property, plant and equipment.

| | Land $'000 | Own Site Improvements $'000 | Buildings $'000 | Total $'000 |
|---|---|---|---|---|
| **Opening balance 1 January 2018** | 255,620 | 72,802 | 46,470 | 374,892 |
| Additions/transfers | -- | 1,877 | 166 | 2,043 |
| Amounts recognised in profit or loss | | | | |
| - Depreciation | -- | (5,765) | (1,777) | (7,542) |
| **Closing balance 31 December 2018** | 255,620 | 68,914 | 44,859 | 369,393 |

The subsidiary has no property, plant and equipment.

| | Land $'000 | Own Site Improvements $'000 | Buildings $'000 | Total $'000 |
|---|---|---|---|---|
| **Opening balance 1 January 2017** | 255,620 | 78,515 | 48,055 | 382,190 |
| Additions/transfers | -- | 265 | 185 | 450 |
| Amounts recognised in profit or loss | | | | |
| - Depreciation | -- | (5,978) | (1,770) | (7,748) |
| **Closing balance 31 December 2017** | 255,620 | 72,802 | 46,470 | 374,892 |

### c. *Carrying amounts that would have been recognised if land, buildings and own-site improvements were stated at cost*

If the land, buildings and own site improvements were stated on the historical cost basis, the amounts would be as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Cost | 102,252 | 100,209 |
| Accumulated depreciation | (70,585) | (67,295) |
| Net carrying amount | 31,667 | 32,914 |

### d. *Assets pledged as security*

Refer to Note 16 b. for information on property, plant and equipment pledged as security by the Group.

## 5 Property, plant and equipment (continued)

*e. Impairment assessment of non- financial assets of the Group*

At the statement of financial position date, the market capitalisation of the Group was significantly less than the net assets of the Group. Given this indicator of impairment management performed an impairment assessment to determine if the net assets of the Group were impaired.

The most significant asset groups included on the statement of financial position are investment properties of $2,020,905 and property, plant and equipment (PP&E) of $766,059.

Investment properties are carried at fair value (Note 6).

Land, buildings and site improvements of $369,393 within PP&E are also carried at fair value in accordance with the Group's accounting policies based on periodic independent valuations.

We therefore focused our impairment assessment audit work on the carrying value of the remaining $396,666 of PP&E not carried at fair value. This relates primarily to port and estate infrastructure of $364,350 consisting of berths and piers, port equipment and estate infrastructure. Management have determined that the port and estate operations comprise one cash generating unit.

In determining the fair value less cost of disposal for impairment, management utilised valuation techniques to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. In carrying out this review, management engaged independent external valuators in determine a fair value for certain assets.

Due to the specialised nature of the port's berths and piers, management engaged external independent valuators for the valuation at the current year end date using the depreciated replacement cost (DRC) approach. Management considered this to be the most reliable method given relevant information, such as sales or rental transactions, is not readily available due to there being no public active market for specialised assets of this nature.

The DRC approach involves a number of complexities and judgments. The most significant are the estimation of the replacement cost new (RCN) defined as the current cost of a similar new asset having the nearest equivalent utility as the asset being appraised, as well as deductions for physical deterioration. The significant inputs and assumptions utilised include the following:

- Direct costs inclusive of materials, labour and equipment;
- Indirect costs including engineering, architect, and other professional fees;
- Construction finance;
- Entrepreneurial profit;
- Functional and economic obsolescence and;
- Estimation of physical deterioration.

The calculation of the fair value of the above assets are sensitive to the assumptions used. Had each of the above assumptions increased / decreased by 1%, the fair value would have increased/decreased by $8,104 and $12,687 respectively.

As the recoverable amount derived from the valuation of the port's berths and piers was higher than the carrying amount of the port and estate operations cash generating unit, management determined no impairment provision was required even with the sensitivity considerations noted above.

5 **Property, plant and equipment (continued)**

f. *Capital commitments*

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Authorised and contracted for and not provided for in the parent and consolidated financial statements | 4,976 | 15,695 |

(i) *Depreciation charge*

Depreciation expense has been included in 'other operating expenses' in the parent and consolidated statement of profit or loss and other comprehensive income.

(ii) *Borrowing cost capitalised*

Included within the additions during the year is borrowing cost of $3,777 (2017: $4,189). The capitalisation rate is the interest rate applicable to the specific borrowing for the rehabilitation of the berths, in this case 4.75% (2017: 4.75%).

6 **Investment properties**

| PARENT | | | GROUP | |
|---|---|---|---|---|
| 2017 $'000 | 2018 $'000 | | 2018 $'000 | 2017 $'000 |
| | | 30 year leases: | | |
| 1,773,510 | 1,811,205 | At beginning of year | 1,811,205 | 1,773,510 |
| 37,695 | 152,445 | Unrealised fair value gains | 152,445 | 37,695 |
| 1,811,205 | 1,963,650 | At end of year | 1,963,650 | 1,811,205 |
| 58,028 | 57,255 | 96 years and longer leases | 57,255 | 58,028 |
| 1,869,233 | 2,020,905 | At the end of year | 2,020,905 | 1,869,233 |

**6 Investment properties (continued)**

a. *Accounting policy*

Investment properties, principally comprising freehold and leasehold land, are held for long term rental yields and are not occupied by the Group. Investment properties are carried at fair value, representing open market value determined annually by independent external valuators. The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases in light of current market conditions. Changes in fair value are recorded in the parent and consolidated statement of profit or loss and other comprehensive income.

b. *Significant fair value estimate*

The Group's investment properties were valued at 31 December 2018 by independent professional qualified valuers, Raymond & Pierre Chartered Valuation Surveyors, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

The Group's Finance department reviews the valuations performed by the independent valuers for financial reporting purposes. This department reports directly to the Vice President of Business Services. Discussions of valuations processes and results are held between the Vice President of Business Services, the Estate department, the Finance department and the independent valuers at least once every quarter, in line with the Group's quarterly reporting dates.

At each financial reporting date the Finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior valuation report;
- holds discussions with the independent valuator.

Thirty year leases are stated at fair value. The open market value represents the best price at which interest in a property might reasonably be expected to be sold at the end of the financial year. For all investment properties, their current use equates to the highest and best use. The valuation is based upon Open Market Value, which comprises both the Investment Method and Direct Capital Comparison Method.

Under the Investment Method, the estimated net rental income from a property by a year's purchase (multiplier) is calculated to arrive at a capital value for the property. The net income is derived from an estimated gross income less outgoings i.e. rates, insurance, repairs and management allowance. The present value is obtained by discounting at the risk free rate of 5%. The valuation also assumes that all tenants will have renewal clauses in their current leases which will extend the lease for an additional 30 years. Under the Direct Capital Comparison Method, sales of comparable acreage of the properties are analysed to determine a value for the leased land under consideration.

6 **Investment properties (continued)**

b. *Significant fair value estimate (continued)*

The following table analyses the non-financial assets carried at fair value. The different levels of fair value measurements have been defined in Note 24 c.:

| | Quoted prices in active markets for identical assets (level 1) $'000 | Significant other observable inputs (level 2) $'000 | Significant unobservable inputs (level 3) $'000 |
|---|---|---|---|
| **As at 31 December 2018** | | | |
| Recurring fair value measurements | | | |
| - Investment properties | -- | -- | 1,963,650 |
| **As at 31 December 2017** | | | |
| Recurring fair value measurements | | | |
| - Investment properties | -- | -- | 1,811,205 |

There were no transfers between levels during the year. Level 3 fair values have been derived using the Open Market Value Method. Evidence of arm's length open market transactions of similar lands were analysed and the results applied to the subject lands after taking into consideration appropriate adjustments for location, size and other relevant factors. The most significant input into this valuation approach is future rental cash inflows based on the actual location and quality of the properties and supported by the terms of any existing leases.

The methods used in the valuation of land, building and own site improvement have been classified as level 3 as the inputs used in the methods are not readily available to the public and assumptions applied are based on the experience and judgment of the valuators prior to being reviewed and adopted by Management.

c. *Other disclosures*

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| | | **The following amounts have been recognised in the parent and consolidated statement of profit or loss and other comprehensive income** | | |
| 80,508 | 99,098 | Lease rental income (Note 19) | 99,098 | 80,508 |
| (1,117) | (1,119) | Costs arising from investment properties | (1,119) | (1,117) |

d. *Sensitivity analysis*

The calculation of the fair value of investment properties is sensitive to the assumptions used. The following table summarises how the fair value as at 31 December 2018 and 2017 would have changed as a result of a change in the discount rate used of 5%.

| | 2018 1% pa increase $'000 | 2018 1% pa decrease $'000 |
|---|---|---|
| (Decrease)/increase in fair value | (285,445) | 385,805 |

| | 2017 1% pa increase $'000 | 2017 1% pa decrease $'000 |
|---|---|---|
| (Decrease)/increase in fair value | (267,175) | 363,465 |

### 7 Financial assets (excluding cash and cash equivalents)

| PARENT | | | GROUP | |
|---|---|---|---|---|
| 2017 | 2018 | | 2018 | 2017 |
| $'000 | $'000 | | $'000 | $'000 |
| -- | 897 | Financial asset at amortised cost | 897 | -- |
| | | Financial assets at fair value through | | |
| 1,317 | 1,416 | other comprehensive income | 1,416 | 1,317 |
| 17,680 | 21,882 | Trade receivables (Note 10) | 21,882 | 17,680 |
| 6,475 | 4,131 | Other receivables (excluding prepayments) | 5,038 | 7,360 |
| 25,472 | 28,326 | | 29,233 | 26,357 |

The above has been classified as follows in the parent and consolidated statement of financial position:

| PARENT 2017 | PARENT 2018 | | GROUP 2018 | GROUP 2017 |
|---|---|---|---|---|
| | | *Non-current assets* | | |
| -- | 897 | Financial asset at amortised cost | 897 | -- |
| | | Financial assets at fair value through | | |
| 1,317 | 1,416 | other comprehensive income | 1,416 | 1,317 |
| 2,645 | 2,724 | Trade receivables (Note 10) | 2,724 | 2,645 |
| | | *Current assets* | | |
| 15,035 | 19,158 | Trade receivables (Note 10) | 19,158 | 15,035 |
| 6,475 | 4,131 | Other receivables (excluding prepayments) | 5,038 | 7,360 |
| 25,472 | 28,326 | | 29,233 | 26,357 |

a. (i) *Financial assets under IFRS 9 – from 1 January 2018*

*Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured at Amortised Cost (AC), and
- Those to be measured subsequently at Fair Value Through Other Comprehensive Income (FVOCI).

The classification for debt instruments depends on the entity's Business Model for managing those assets. It also requires the entity to examine the contractual terms of cash flows, i.e. whether these represent 'Solely Payments of Principal and Interest' (SPPI).

The Business Model test requires the entity to assess the purpose for holding debt securities (hold to collect, hold to collect and sell or to trade). All the Group's debt instruments are held to collect cash flows and accordingly meet the 'hold to collect' criteria.

All debt instruments passing the Business Model and SPPI tests are classified at amortised cost.

All other instruments, including equities are carried at FVOCI. For assets measured at fair value, gains and losses are recorded in other comprehensive income.

7 **Financial assets (excluding cash and cash equivalents) (continued)**

a. (i) *Financial assets under IFRS 9 – from 1 January 2018 (continued)*

*Classification (continued)*

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

The following is a summary of the adjustments on initial application of the standard. A deferred tax impact on initial application of IFRS 9 was not recognised given the immaterial nature.

| **Parent/ Group** | **Balance at 31 December 2017 \$'000** | **Reclass \$'000** | **Expected credit loss adjustments (net of deferred Tax) \$'000** | **Fair value adjustments \$'000** | **Balance at 1 January 2018 \$'000** |
|---|---|---|---|---|---|
| Other financial assets | | | | | |
| - At fair value through other comprehensive income | -- | 1,317 | -- | -- | 1,317 |
| - Available for sale | 1,317 | (1,317) | -- | -- | -- |
| - Trade and other Receivables (Note 10) | 17,680 | -- | (3,719) | -- | 13,961 |
| | 18,997 | -- | (3,719) | -- | 15,278 |
| Adjustments to equity: | | | | | |
| Adj to retained earnings | -- | -- | (3,719) | -- | (3,719) |

*Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Equity investments previously classified as available-for-sale

The group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of \$1,317 were reclassified from available-for-sale financial assets to financial assets at FVOCI on 1 January 2018.

## 7 Financial assets (excluding cash and cash equivalents) (continued)

a. (i) *Financial assets under IFRS 9 – from 1 January 2018 (continued)*

*Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

**Debt instruments (IFRS 9)**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included within 'investment income' using the effective interest rate method.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial assets (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the statement of profit of loss.

*Impairment*

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost.

**Debt instruments carried at amortised cost**

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1 – This category comprises instruments which are performing in accordance with the contractual terms and conditions and display no deterioration in credit risk since initial recognition. This category also includes those financial instruments with low credit risk.

Stage 2 – This category includes instruments which display a significant increase in credit risk (SICR) since initial recognition but have not yet defaulted.

Stage 3 – This category includes instruments that are in default.

**7 Financial assets (excluding cash and cash equivalents) (continued)**

a. (i) *Financial assets under IFRS 9 – from 1 January 2018 (continued)*

*Impairment (continued)*

**Debt instruments carried at amortised cost (continued)**

The above categories exclude purchased or originated credit-impaired (POCI) financial assets. A financial asset is considered credit-impaired on purchase or origination if there is evidence of impairment at the point of initial recognition (for instance, if it is acquired at a deep discount). POCI financial assets are not included in Stages 1, 2 or 3, and are instead shown as a separate category.

Expected credit losses (ECL) is measured as follows:

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Instruments in Stages 2 or 3 or that are POCI have their ECL measured based on expected credit losses on a lifetime basis.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information, The Group utilised a probability-weighted assessment of the factors which it believes will have an impact on forward looking rates.

The formula for ECL is generally the 'Probability of Default' (PD) multiplied by the 'Exposure at Default' (EAD) multiplied by the 'Loss Given Default' (LGD). An adjustment is made to reflect the time value of money by considering the original effective interest rate on the individual instruments. The overall models involved in the use of various PD, EAD and LGD tables were then applied to the individual instruments based on several pre-determined criteria, including type, original tenor, time to maturity, whether they are in Stages 1, 2 or 3 and other indicators.

The process in arriving at the individual components of ECL and the forward-looking adjustments involved critical estimates and judgements.

**Trade receivables**

The Group applies the simplified approach for trade receivables as permitted by IFRS 9, which requires the expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies specific provisions for higher risk accounts using a risk-rating system based on certain factors, including financial condition of the customer. All other non-specific accounts were grouped together based on shared credit risk characteristics and aged using a 'provisions matrix'. Scaled loss rates were then calculated based on historical payment profiles. The loss rates were adjusted to incorporate forward-looking information and then applied to the different aging buckets as of the statement of financial position date.

### 7 Financial assets (excluding cash and cash equivalents) (continued)

a. (ii) *Financial assets under IAS 39 – up to 31 December 2017*

*IFRS 9, "Financial instruments"*

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy, IAS 39.

*Classification*

Until 31 December 2017, the Group classified its financial assets in the following categories: Financial assets at fair value through profit or loss,

- Loans and receivables, Held-to-maturity investments, and
- Available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of available for sale financial assets, re-evaluated this designation at the end of each reporting period.

*Reclassification*

Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made.

*Subsequent measurement*

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Available-for-sale financial assets were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised in other comprehensive income.

*Impairment*

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

## 7 Financial assets (excluding cash and cash equivalents) (continued)

a. (ii) *Financial assets under IAS 39 – up to 31 December 2017 (continued)*

*Assets at amortised cost*

For loans and receivables, the amount of the loss was measured as the differences between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

*Assets classified as available-for-sale*

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - was removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

b. *Financial assets at fair value through other comprehensive income*

| PARENT | | | GROUP | |
|---|---|---|---|---|
| 2017 $'000 | 2018 $'000 | | 2018 $'000 | 2017 $'000 |
| 1,292 | 1,317 | At beginning of year | 1,317 | 1,292 |
| 25 | 99 | Change in value transferred to equity | 99 | 25 |
| 1,317 | 1,416 | At end of year | 1,416 | 1,317 |

Financial assets at FVOCI comprise solely of securities listed on the Trinidad and Tobago Stock Exchange and are denominated in Trinidad and Tobago dollars. The valuation method used is categorised as Level 1 as it utilises quoted prices in active markets. The different levels of fair value measurements have been defined in Note 24 c.

## 7 Financial assets (excluding cash and cash equivalents) (continued)

c. *Investment income*

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 588 | 579 | Interest income – tax exempt | 579 | 588 |
| 1,612 | 701 | Other income | 701 | 1,612 |
| 2,200 | 1,280 | | 1,280 | 2,200 |

## 8 Taxation

a. *Taxation charge*

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 4,383 | 4,291 | Corporation tax | 4,291 | 4,383 |
| 113 | 109 | Prior year under accrual for tax | 109 | 113 |
| – | – | Business levy - current year | 444 | 444 |
| (4,462) | 590 | Deferred income tax (Note 8 c.) | 590 | (4,462) |
| 34 | 4,990 | | 5,434 | 478 |

The tax charge differs from the theoretical amount that would arise using the basic tax rate of 30% as follows:

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 38,538 | 169,294 | Profit before taxation | 169,770 | 39,013 |
| 11,511 | 50,788 | Tax calculated at applicable tax rate | 50,931 | 11,654 |
| (11,853) | (46,405) | Allowances/income not subject to tax | (46,405) | (11,853) |
| 668 | 1,802 | Expenses not deductible for tax | 1,870 | 750 |
| 113 | 109 | Prior year under accrual for tax | 109 | 113 |
| (405) | (1,304) | Change in tax rate and other movements | (1,515) | (630) |
| – | – | Business levy | 444 | 444 |
| 34 | 4,990 | | 5,434 | 478 |

b. *Accounting policy*

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the parent and consolidated statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date.

## 8 Taxation (continued)

### b. *Accounting policy (continued)*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent and consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax asset and liabilities relate to income taxes levied by the same taxation authority.

### c. *Deferred taxation*

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 85,016 | 81,485 | At beginning of year | 81,485 | 85,016 |
| 1,010 | 140 | Tax on remeasurement of defined benefit obligation recognised in other comprehensive income (Note 18 a.) | 140 | 1,010 |
| (79) | 437 | Tax on remeasurement of casual employee retirement benefit recognised in other comprehensive income (Note 18 b.) | 437 | (79) |
| (4,462) | 590 | Charge for the year (Note 8 a.) | 590 | (4,462) |
| 81,485 | 82,652 | At end of year | 82,652 | 81,485 |

Deferred income taxes are calculated in full, on temporary differences under the liability method using a principal tax rate of 30%. The deferred income tax (asset)/liability in the parent and consolidated statement of financial position and the deferred income tax charge/(credit) in the parent and consolidated statement of profit or loss and other comprehensive income are attributable to the following:

**Parent/Group**

| | 2017 $'000 | Charge to OCI $'000 | Charge/ (credit) to SOCI $'000 | 2018 $'000 |
|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | |
| **Deferred income tax liabilities** | | | | |
| Accelerated tax depreciation – property, plant and equipment carried at cost | 72,238 | -- | 3,422 | 75,660 |
| Accelerated tax depreciation – property, plant and equipment revalued and own site improvements | 25,390 | -- | (1,276) | 24,114 |
| | 97,628 | -- | 2,146 | 99,774 |

### 8 Taxation (continued)

c. *Deferred taxation (continued)*

| | | | | |
|---|---|---|---|---|
| **Deferred income tax assets** | | | | |
| Casual employee retirement benefit | (7,634) | 437 | (878) | (8,075) |
| Retirement benefit obligation | (8,509) | 140 | 261 | (8,108) |
| Impairment of trade receivables under IFRS 9 | – | – | (939) | (939) |
| | (16,143) | 577 | (1,556) | (17,122) |
| **Net deferred income tax liabilities** | 81,485 | 577 | 590 | 82,562 |

| **Parent/Group** | **2016 $'000** | **Charge to OCI $'000** | **Charge/ (credit) to SOCI $'000** | **2017 $'000** |
|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | |
| **Deferred income tax liabilities** | | | | |
| Accelerated tax depreciation – property, plant and equipment carried at cost | 74,606 | – | (2,368) | 72,238 |
| Accelerated tax depreciation – property, plant and equipment revalued and own site improvements | 26,664 | – | (1,274) | 25,390 |
| | 101,270 | – | (3,642) | 97,628 |
| **Deferred income tax assets** | | | | |
| Casual employee retirement benefit | (6,750) | (79) | (805) | (7,634) |
| Retirement benefit obligation | (9,504) | 1,010 | (15) | (8,509) |
| | (16,254) | 931 | (820) | (16,143) |
| **Net deferred income tax liabilities** | 85,016 | 931 | (4,462) | 81,485 |

### 9 Inventory

The inventory balance comprises consumable maintenance spares and is shown net of provision for obsolete spares of $2,669 (2017: $1,669). The movement related to an increase of $1,000 in the provision for obsolete spares.

a. *Accounting policy*

Consumable spares are stated at cost, allowance having been made for slow moving and obsolete items. Cost is determined using the first-in, first-out (FIFO) method.

## 10 Trade and other receivables

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 18,605 | 25,180 | Trade receivables | 25,180 | 18,605 |
| (925) | (3,298) | Less: provision for impairment | (3,298) | (925) |
| 17,680 | 21,882 | Trade receivables – net | 21,882 | 17,680 |
| 9,930 | 6,837 | Other receivables and prepayments | 7,744 | 10,815 |
| 7,073 | 12,685 | Value added tax | 12,685 | 7,073 |
| 34,683 | 41,404 | | 42,311 | 35,568 |
| (2,645) | (2,724) | Non-current portion | (2,724) | (2,645) |
| 32,038 | 38,680 | Current portion | 39,587 | 32,923 |

a. *Accounting policy*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are amounts due from customers for rental fees or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Refer to note 7 (a) (v) for the Group's accounting policy for the impairment of trade receivables. The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the parent and consolidated statement of profit or loss and other comprehensive income. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the parent and consolidated statement of profit or loss and other comprehensive income within distribution costs. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against finance costs in the parent and consolidated statement of profit or loss and other comprehensive income.

b. *Fair value of trade receivables*

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

c. *Impairment and risk exposure*

| Parent/Group | Current $'000 | More than 30 days Past due $'000 | More than 60 days past due $'000 | More than 90 days past due $'000 | Total $'000 |
|---|---|---|---|---|---|
| **31 December 2018** | | | | | |
| Expected credit loss rate | 1.02% | 5.4% | 13.63% | 23.53% | 17.62% |
| Gross carrying amount – | | | | | |
| Trade receivables | 3,545 | 1,537 | (265) | 12,958 | 17,775 |
| Loss allowance | 37 | 83 | (37) | 3,049 | 3,132 |

### 10 Trade and other receivables (continued)

c. *Impairment and risk exposure (continued)*

| Parent/Group | Current $'000 | More than 30 days Past due $'000 | More than 60 days past due $'000 | More than 90 days past due $'000 | Total $'000 |
|---|---|---|---|---|---|
| **1 January 2018** | | | | | |
| Expected credit loss rate | 1.46% | 6.60% | 18.93% | 26.08% | 24.96% |
| Gross carrying amount – | | | | | |
| Trade receivables | 3,355 | 1,202 | 1,014 | 13,034 | 18,605 |
| Loss allowance | 49 | 79 | 192 | 4,323 | 4,643 |

Refer to note 4 a. (iv) for the movements on the Group's provision for impairment of trade receivables.

*Sensitivity analysis*

The calculation of the ECL for trade receivables is sensitive to the assumptions used, specifically the forward looking rate. The following table summarises how the ECL as at 31 December 2018 and 1 January 2018 would have changed as a result of an increase in the forward looking rate used of 5% and 10%.

| | 2018 | |
|---|---|---|
| | 5% increase $'000 | 10% increase $'000 |
| Increase in ECL | 186 | 372 |
| | **2017** | |
| | 5% increase $'000 | 10% increase $'000 |
| Increase in ECL | 157 | 313 |

### 11 Cash and cash equivalents

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 13,560 | 24,227 | Current bank and cash balances | 24,458 | 13,576 |
| 107,481 | 92,292 | Short-term bank deposits | 92,292 | 107,481 |
| 121,041 | 116,519 | | 116,750 | 121,057 |
| -- | (6,815) | Bank overdraft | (6,815) | -- |
| 121,041 | 109,704 | Cash at bank and on hand | 109,935 | 121,057 |

a. *Accounting policy*

For the purpose of presentation in the parent and consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, short-term bank deposits and bank overdrafts. Short term bank deposits are presented as cash and cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours' notice with no loss of interest. Bank overdrafts are shown in current liabilities in the parent and consolidated statement of financial position.

## 11 Cash and cash equivalents (continued)

### b. *Financial risk management*

The effective interest rates on cash and short-term deposits were between 0.05% and 1.32% (2017: 0.8% and 1.51%) per annum. Short term deposits have original maturities of three months or less.

The Group has unsecured overdraft facilities of $20,000. Interest is charged at the average rate of 8.5% per annum (2017: 8.25% per annum).

### c. *Cash generated from operating activities*

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 38,538 | 169,294 | Profit before taxation | 169,770 | 39,013 |
| (37,695) | (152,445) | Unrealised fair value gains on investment properties | (152,445) | (37,695) |
| 35,266 | 33,747 | Depreciation | 33,747 | 35,266 |
| 712 | 26 | Loss on disposal of property, plant and equipment | 26 | 712 |
| (662) | 957 | Decrease/(increase) in inventory | 957 | (662) |
| (1,015) | (10,440) | Increase in trade and other receivables | (10,462) | (1,017) |
| 45 | (869) | Net movement in retirement benefit obligation | (869) | 45 |
| 2,682 | 2,927 | Net movement in casual employee retirement benefit | 2,927 | 2,682 |
| 2,183 | 2,164 | Interest (net) | 2,166 | 2,183 |
| (187) | (316) | Decrease in deferred lease rental income | (316) | (187) |
| (7,436) | 6,270 | Increase/(decrease) in trade and other payables | 6,480 | (7,452) |
| 32,431 | 51,315 | Cash generated from operating activities | 51,981 | 32,888 |

## 12 Stated capital

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| | | Authorised: | | |
| | | An unlimited number of ordinary shares of no par value | | |
| | | An unlimited number of preference shares of no par value | | |
| | | Issued and fully paid: | | |
| 139,968 | 139,968 | 39,625,684 ordinary shares of no par value | 139,968 | 139,968 |

### 12 Stated capital (continued)

a. *Accounting policy*

*Share capital*

Ordinary shares have no par value and entitle the holder to participate in dividends, and to share in the proceeds of winding up the parent company in proportion to the number of the shares held. On show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll share is entitled to one vote.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Dividend distribution*

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's directors.

b. *Dividends declared and payable*

On 26 March 2019, the Board of Directors approved a final dividend of 12¢ per share, amounting to $4,756 in respect of the year ended 31 December 2018. On 22 March 2018, the Board of Directors approved a final dividend of 3¢ per share, amounting to $1,189 in respect of the year ended 31 December 2017. This is reflected in these parent and consolidated financial statements.

### 13 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the year.

| | PARENT | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Basic earnings per share | | |
| Profit for the year | 164,304 | 38,504 |
| Weighted average number of shares (excluding treasury shares) 39,619,607 (2017 - 39,619,607) | | |
| Basic earnings per share | | |
| - Including fair value gains | 415¢ | 97¢ |
| - Excluding fair value gains | 30¢ | 2¢ |
| Diluted earnings per share | | |
| - Including fair value gains | 412¢ | 97¢ |
| - Excluding fair value gains | 30¢ | 2¢ |

**13 Earnings per share (continued)**

| | GROUP | |
|---|---|---|
| | **2018** **$'000** | **2017** **$'000** |
| Profit for the year | 164,336 | 38,535 |
| Weighted average number of shares (excluding treasury shares) 39,619,607 (2017 - 39,619,607) | | |
| Basic earnings per share | | |
| - Including fair value gains | 415¢ | 97¢ |
| - Excluding fair value gains | 30¢ | 2¢ |
| Diluted earnings per share | | |
| - Including fair value gains | 412¢ | 97¢ |
| - Excluding fair value gains | 30¢ | 2¢ |

**14 Employee share ownership plan (ESOP) – parent/group**

| | **No of shares '000** | **2018** **$'000** | **2017** **$'000** |
|---|---|---|---|
| Fair value of shares held – unallocated | 6 | 34 | 34 |
| Fair value of shares held – allocated | 224 | 829 | 829 |
| | 230 | 863 | 863 |
| Cost of unallocated ESOP shares | | 32 | 32 |
| Charge to earnings for shares allocated to employees | | -- | -- |

a. *Accounting policy*

The parent company operates an Employee Share Ownership Plan (ESOP) to give effect to a contractual obligation to pay profit sharing bonuses to employees via shares of the parent company based on a set formula. Employees may acquire additional company shares to be held in trust by the Trustees but the costs of such purchases are for the employee's account. All permanent employees of the parent company and its subsidiary (Note 1) are eligible to participate in the Plan that is directed by a Management Committee comprising management of the company and representatives of the general membership. Independent Trustees are engaged to hold in trust all shares in the Plan as well as to carry out the necessary administrative functions. Shares acquired by the ESOP are funded by the parent company contributions and cash advances by the parent company to the ESOP. The cost of the shares so acquired and which remain unallocated to employees have been recognised in Shareholders' Equity under 'Unallocated ESOP Shares'. Any further dealings in the shares will be credited against the same account at fair value. The fair value of shares was derived from the closing market price prevailing on the Trinidad and Tobago Stock Exchange at the year-end.

The Company has determined it has control over the Trust as:

- the Company has power over the relevant activities of the employee share trust;
- the Company has exposure, or rights, to variable returns from its involvement with the employee share trust; and
- the Company has the ability to use its power over the employee share trust to affect the amount of the Company's returns.

The consolidation of the trust was inmaterial to these parent and consolidated financial statements.

## 15 Revaluation reserves

a. *Nature and purpose of revaluation reserves*

The revaluation reserves include the following amounts:

*Revaluation surplus – property, plant and equipment:*

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings (Note 5).

*Financial assets at fair value through other comprehensive income:*

Changes in the fair value and exchange differences arising on translation of investments that are classified as financial assets at fair value through other comprehensive income (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired (Note 7 b.).

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 252,301 | 249,960 | At beginning of year | 249,960 | 252,301 |
| 25 | 99 | Fair value loss of financial assets at fair value through other comprehensive income (Note 7 b.) | 99 | 25 |
| 215 | -- | Revaluation of property, plant and equipment | -- | 215 |
| (2,581) | (3,371) | Transfer/adjustment to retained earnings | (3,371) | (2,581) |
| 249,960 | 246,688 | At end of year | 246,688 | 249,960 |

a. **Property, plant and equipment**

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 251,947 | 249,581 | At beginning of year | 249,581 | 251,947 |
| 215 | -- | Revaluation of property, plant and equipment | -- | 215 |
| (2,581) | (3,371) | Transfer/adjustment to retained earnings | (3,371) | (2,581) |
| 249,581 | 246,210 | At end of year | 246,210 | 249,581 |

b. **Financial assets at fair value through other comprehensive income**

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 354 | 379 | At beginning of year | 379 | 354 |
| 25 | 99 | Fair value gain of financial assets at fair value through other comprehensive income (Note 7 b.) | 99 | 25 |
| 379 | 478 | At end of year | 478 | 379 |

### 16 Long and medium-term borrowings

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 164,444 | 149,194 | First Citizens Bank Limited | 149,194 | 164,444 |
| -- | 696 | Ansa Merchant Bank | 696 | -- |
| 164,444 | 149,890 | | 149,890 | 164,444 |

The above has been classified as follows in the parent and consolidated statement of financial position:

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| | | *Non-current liabilities* | | |
| 150,059 | 136,671 | Long and medium-term borrowings | 136,671 | 150,059 |
| | | *Current liabilities* | | |
| 14,385 | 13,219 | Long and medium-term borrowings | 13,219 | 14,385 |
| 164,444 | 149,890 | | 149,890 | 164,444 |

a. *Accounting policy*

*Recognition and measurement*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the parent and consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

*Borrowing costs*

The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

b. *Loan agreements*

(I) *First Citizens Bank Limited*

On 30 June 2015, the Corporation established four (4) Term Loan facilities with First Citizens Bank Limited as follows:

Facility (i) is for TT$5,000,000 to provide financing assistance for the purchase of vehicles. As at 31 December 2015, TT$2,237,510 was drawn down with no further drawdowns as the facility expired on 31 January 2016. The financing arrangement allows for a full drawdown of the loan to be repayable via blended monthly amortised payments of principal and interest of $29,331 using an amortised period of 7 years. The interest rate is Prime less 2.25% per annum subject to a floor rate of 6% per annum. The current effective interest rate per annum is 7%. This loan was fully repaid as at 31 December 2018.

## 16 Long and medium-term borrowings (continued)

b. *Loan agreements (continued)*

(ii) *First Citizens Bank Limited (continued)*

Facility (ii) is for US$12,390 of which US$10,372 was drawn down to settle existing loans. The financing arrangement allows for a full drawdown of the loan to be repayable over 10 years by 19 semi-annual principal and interest instalments of US$346 and a final bullet payment of US$3,668. The interest rate is Libor plus 2.6743% per annum, to be reset semi-annually subject to a floor rate of 3% per annum. The current effective interest rate per annum is 5.55068%. The schedule of repayment on the drawn balance is reflected in Note 16 e.

Facility (iii) is for TT$117,743 which was fully drawn as at 31 December 2016 for infrastructural work to the Port. The financing arrangement allows for a full drawdown of the loan to be repayable over 10 years with a one year moratorium on principal. The repayment terms consist of semi-annual principal payments of TT$3,925 and a final bullet payment of TT$51,022. The interest rate is Prime less 4.5% per annum subject to a floor rate of 3% per annum. The current effective interest rate per annum is 4%. The schedule of repayment on the drawn balance is reflected in Note 16 e.

Facility (iv) is for TT$15,000 to be drawn in either Trinidad & Tobago Dollars or equivalent United States Dollars. This facility is to assist with working capital requirements. Interest payments to be serviced monthly; principal to be repaid within ninety (90) days of each drawdown. The interest rate for amounts drawn in Trinidad & Tobago Dollars is Prime less 1.0% per annum subject to a floor rate of 6% per annum. Amounts drawn in United States Dollars accrues interest at LIBOR plus 4.0% per annum subject to a floor rate of 4% per annum. There was no drawdown of this facility at year end.

Facility (v) is for US$800 which was fully drawn as at 31 October 2016. The financing arrangement allows for a full drawdown of the loan to be repayable over 5 years. The repayment terms consist of semi-annual principal payments of US$40. The interest rate is Libor plus 2.6743% per annum, to be reset semi-annually subject to a floor rate of 3% per annum. The current effective interest rate per annum is 5.32643%.

Security on Facilities (i) and (iv) is a Debenture Charge stamped to cover the aggregate amount of $20,000 over the fixed and floating assets of the Corporation.

Security on Facilities (ii) and (iii) is a Debenture Charge over the fixed and floating assets of the Corporation and a collateral chattel mortgage over the equipment financed.

Assignment of all risk insurance

(ii) *Ansa Merchant Bank Limited*

On 1 October 2017 and 30 November 2017, the Corporation established hire purchase facilities with Ansa Merchant Bank Limited to purchase 3 new vehicles. The repayment terms consist of monthly principal payments of TT$12.

## 16 Long and medium-term borrowings (continued)

c. *Fair value*

The fair values are not materially different to their carrying amounts since the interest payable on these borrowings are at floating rates (i.e. current market rates).

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| US dollar | 55,000 | 60,074 |
| TT dollar | 94,890 | 104,370 |
| | 149,890 | 164,444 |

d. *Sensitivity analysis - variable rate instruments*

| | Increase/decrease in PRIME % | (Decrease)/increase effect on profit $'000 |
|---|---|---|
| 2018 | +20 | (963) |
| | -15 | 723 |
| 2017 | +20 | (1,037) |
| | -15 | 777 |

| | Increase/decrease in LIBOR % | (Decrease)/increase effect on profit $'000 |
|---|---|---|
| 2018 | +20 | (573) |
| | -15 | 430 |
| 2017 | +20 | (525) |
| | -15 | 394 |

e. *Contractual cash flows of floating rate borrowings*

| Group | < 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| 31 December 2018 | | | | | | |
| Borrowings | 20,635 | 23,901 | 63,933 | 79,096 | 187,565 | 149,890 |

| | < 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| 31 December 2017 | | | | | | |
| Borrowings | 21,507 | 20,871 | 57,691 | 76,537 | 176,606 | 164,444 |

## 17 Staff costs

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 141,864 | 145,263 | Wages, salaries and benefits | 144,506 | 141,105 |
| 13,343 | 12,930 | Retirement benefit obligation expense (Note 18 a.) | 12,930 | 13,343 |
| 3,433 | 3,628 | Casual employee retirement benefit expense (Note 18 b.) | 3,628 | 3,433 |
| 158,640 | 161,821 | | 161,064 | 157,881 |

a. *Accounting policy*

*Termination benefits*

Benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating employment of current employees according to a formal plan without the possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

*Bonus plans*

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans are expected to be settled within 12 months.

*Employee share ownership plan*

The Group accounts for profit sharing entitlements which are settled in the shares of the parent company through an Employee Share Ownership Plan (ESOP) as an expense determined at market value. The cost of the unallocated shares of the parent company is recognised as a separate component within equity.

*Post retirement benefits*

Pension obligations (Note 18 a. (i)).

Casual employee retirement benefit (Note 18 b.(i)).

## 18 Long term employee benefits

a. *Retirement benefit obligation*

The Group operates a defined benefit pension plan for its eligible employees regulated by the Insurance Act Chapter 84:01 of Trinidad and Tobago. The plan is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The plan is operated in accordance with a Trust Deed between the parent company and First Citizens Trustee Services Limited dated 19 July 1985. Fund managers appointed by the trustees of the plan administer the funds of the plan. The pension plan is generally funded by payments from employees and the parent company, taking account of the recommendations of independent qualified actuaries.

## 18 Long term employee benefits (continued)

a. *Retirement benefit obligation (continued)*

There were no plan amendments, curtailments and settlements during the year.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| *Net liability in the parent and consolidated statement of financial position (parent/group)* | | |
| Present value of defined benefit obligation | 217,119 | 204,977 |
| Fair value of assets | (190,093) | (176,617) |
| Net defined benefit liability | 27,026 | 28,360 |
| *Reconciliation of opening and closing parent and consolidated statement of financial position entries (parent/group)* | | |
| Opening defined benefit liability | 28,360 | 31,680 |
| Pension expense | 12,930 | 13,343 |
| Re-measurements recognised in other comprehensive income | (465) | (3,365) |
| Company contributions paid | (13,799) | (13,298) |
| Closing defined benefit liability | 27,026 | 28,360 |

(i) *Accounting policy*

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, dependent on the following factors age, years of service and compensation.

The liability recognised in the parent and consolidated statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligations less the fair value of plan assets at the financial position date, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method, and a full valuation is done every three years. Roll forward valuations, which are less detailed than full valuations are performed annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long-term government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

## 18 Long term employee benefits (continued)

a. *Retirement benefit obligation (continued)*

(ii) *Movement in present value of defined benefit obligation*

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Defined benefit obligation at start of year | 204,977 | 192,113 |
| Current service cost | 10,876 | 11,087 |
| Interest cost | 11,463 | 10,729 |
| Members' contributions | 2,876 | 2,770 |
| Experience adjustments | (6,311) | (3,851) |
| Benefits paid | (6,762) | (7,871) |
| Defined benefit obligation at end of year | 217,119 | 204,977 |

The defined benefit obligation is allocated between the Plan's members as follows:

| | 2018 | 2017 |
|---|---|---|
| Active members | 67% | 67% |
| Deferred members | 4% | 4% |
| Pensioners | 29% | 29% |
| The weighted average duration of the defined benefit obligation at year end | 15.3yrs | 15.5yrs |

96% (2017: 71%) of the active member benefits are vested.
32% (2017: 32% of the active member defined benefit obligation is conditional on future salary increases.

(iii) *Movement in fair value of plan assets*

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Plan assets at start of year | 176,617 | 160,433 |
| Interest income | 9,968 | 9,031 |
| Return on plan assets, excluding interest income | (5,846) | (486) |
| Company contributions | 13,799 | 13,298 |
| Members' contributions | 2,876 | 2,770 |
| Benefits paid | (6,762) | (7,871) |
| Expense allowance | (559) | (558) |
| Fair value of plan assets at end of year | 190,093 | 176,617 |
| *Actual return on plan assets* | 4,122 | 8,545 |
| *Asset allocation* | | |
| Locally listed equities | 42,112 | 33,131 |
| Overseas equities | 15,403 | 17,238 |
| Government bonds | 59,592 | 58,640 |
| Corporate bonds | 63,846 | 58,177 |
| Cash and cash equivalents | 5,034 | 5,117 |
| Other (immediate annuity policies) | 4,106 | 4,314 |
| Fair value of plan assets at end of year | 190,093 | 176,617 |

## 18 Long term employee benefits (continued)

### a. *Retirement benefit obligation (continued)*

#### (iii) *Movement in fair value of plan assets (continued)*

The asset values as at 31 December 2018 were provided by the Plan's Investment Manager (First Citizens Asset Management Limited). Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is illiquid. The Investment Manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve. The value of the Plan's annuity policies with CLICO was estimated using the same assumptions used to calculate the defined benefit obligation. The value of these policies is not quoted and is reliant on CLICO's financial strength.

The majority of the Plan's Government bonds were issued by the Government of Trinidad and Tobago, which also guarantees many of the corporate bonds held by the Plan.

The Plan's assets are invested in accordance with a strategy agreed between the Plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad and Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the Plan other than the decision to purchase immediate annuity policies to secure some pensions in payment and in deferment.

#### (iv) *Funding*

The Group meets the balance of the cost of funding of the defined benefit pension plan and the Group must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $13,800 to the pension plan during 2019.

#### (v) *Expense recognised in the parent and consolidated statement of profit or loss and other comprehensive income*

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Current service cost | 10,876 | 11,087 |
| Net interest on net defined benefit liability | 1,495 | 1,698 |
| Administration expense allowance | 559 | 558 |
| Pension expense (Note 17) | 12,930 | 13,343 |

#### (vi) *Remeasurements recognised in other comprehensive income*

| | | |
|---|---|---|
| Experience gains | (466) | (3,365) |
| Deferred income tax (Note 8 c.) | 140 | 1,010 |
| Total amount recognised in other comprehensive income | (326) | (2,355) |

**18 Long term employee benefits (continued)**

a. *Retirement benefit obligation (continued)*

(vii) *Significant accounting estimate*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The parent company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the parent company considers the interest rates of long term Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

| | 2018 Per annum | 2017 Per annum |
|---|---|---|
| *Summary of principal assumptions* | | |
| Discount rate | 5.50% | 5.50% |
| Underlying salary and wage inflation | 4.00% | 4.00% |
| Promotional/merit increases | 1.00% | 1.00% |
| Average individual salary increases | 5.00% | 5.00% |
| Future pension increases | 0.00% | 0.00% |

These assumptions affect the deferred tax asset calculated on the pension benefit liability. The most recent completed actuarial valuation was as at 31 December 2018.

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at year end are as follows:

| | 2018 | 2017 |
|---|---|---|
| *Life expectancy at age 60 for current pensioner in years* | | |
| Male | 21 | 21 |
| Female | 25.1 | 25.1 |
| *Life expectancy at age 60 for current members age 40 in years* | | |
| Male | 21.4 | 21.4 |
| Female | 25.4 | 25.4 |

*Sensitivity analysis*

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 31 December 2018 and 2017 would have changed as a result of a change in the assumptions used.

**18 Long term employee benefits (continued)**

a. *Retirement benefit obligation (continued)*

(vii) *Significant accounting estimate (continued)*

| | Impact on defined benefit obligation | | | | | |
|---|---|---|---|---|---|---|
| | **Change in Assumptions** | | **Increase in assumptions** | | **Decrease in assumptions** | |
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Discount rate | 1%pa | 1%pa | -13.0% | -13.2% | +16.4% | +16.6% |
| Future salary increases | 1%pa | 1%pa | +6.1% | +6.1% | -5.3% | -5.3% |
| Life expectancy | 1 year | 1 year | +1.4% | +1.4% | -1.4% | -1.4% |

These sensitivities were computed by re-calculating the defined benefit obligations using the revised assumptions. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the prior year.

b. *Casual employee retirement benefit*

The Group implemented a retirement benefit for casual employees in 2013 in accordance with its collective agreement. The benefit is for eligible employees who met several criteria as agreed with the bargaining body and the benefit is managed in house and financed by the Group. Lump sums will be paid as they fall due.

| | **2018 $'000** | **2017 $'000** |
|---|---|---|
| *Net liability in the parent and consolidated statement of financial position (parent/group)* | | |
| Present value of casual employee retirement benefit obligation | 26,915 | 25,445 |
| *Reconciliation of opening and closing statement of financial position entries (parent/group)* | | |
| Opening net retirement benefit liability | 25,445 | 22,500 |
| Net benefit cost | 3,628 | 3,433 |
| Re-measurements recognised in other comprehensive income | (1,457) | 263 |
| Lump sums paid | (701) | (751) |
| Closing casual employee retirement benefit liability | 26,915 | 25,445 |

(i) *Accounting policy*

The liability recognised in the parent and consolidated statement of financial position in respect of casual employee retirement benefit is the present value of the obligation at the financial position date, together with adjustments for unrecognised actuarial gains or losses.

18 **Long term employee benefits (continued)**

c. *Casual employee retirement benefit (continued)*

(i) *Accounting policy (continued)*

The liability recognised in the parent and consolidated statement of financial position in respect of casual employee retirement benefit is the present value of the obligation at the financial position date, together with adjustments for unrecognised actuarial gains or losses.

The casual employee retirement benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the casual employee retirement benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long-term government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

(ii) *Funding*

The Group pays the termination lump sums as they fall due. The Group expects to pay lump sums of $1,119 in 2019 ($1,005 in 2018).

(iii) *Movement in present value of casual employee retirement benefit obligation*

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Obligation at start of year | 25,445 | 22,500 |
| Current service cost | 2,188 | 2,158 |
| Interest cost | 1,440 | 1,275 |
| Experience adjustments | (1,457) | 263 |
| Benefits paid | (701) | (751) |
| Obligation at end of year | 26,915 | 25,445 |

The casual employee retirement benefit obligation is allocated between the members as follows:

| | 2018 | 2017 |
|---|---|---|
| Casual employees | 90% | 92% |
| Former casual employees made permanent | 8% | 6% |
| Outstanding benefits | 2% | 2% |
| The weighted average duration of the retirement benefit obligation at year end | 14.3yrs | 14.6yrs |

18% (2017: 15%) of the benefits are vested.
41% (2017: 42%) of the retirement obligation is conditional on future salary increases.

## 18 Long term employee benefits (continued)

b. *Casual employee retirement benefit (continued)*

(iv) *Expense recognised in the other comprehensive income*

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Current service cost | 2,188 | 2,158 |
| Net interest on net retirement benefit liability | 1,440 | 1,275 |
| Casual employee retirement benefit expense (Note 17) | 3,628 | 3,433 |

(v) *Re-measurements recognised in other comprehensive income*

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Experience (gains)/losses | (1,457) | 263 |
| Deferred income tax (Note 8 c.) | 437 | (79) |
| Total amount recognised in other comprehensive income | (1,020) | 184 |

(vi) *Significant accounting estimate*

The present value of the retirement benefit depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for the benefit include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Group considers the interest rates of long term Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related benefit liability.

Other key assumptions for casual employee retirement benefit are based in part on current market conditions.

| | 2018 Per annum | 2017 Per annum |
|---|---|---|
| *Summary of principal assumptions* | | |
| Discount rate | 5.50% | 5.50% |
| Average individual pay increases | 4.00% | 4.00% |

There is limited experience data on casual employees hence management has used the same assumptions as that of the pension plan.

These assumptions affect the deferred tax asset calculated on the casual employee retirement benefit liability.

## 18 Long term employee benefits (continued)

b. *Casual employee retirement benefit (continued)*

(vi) *Significant accounting estimate (continued)*

*Sensitivity analysis*

The calculation of the casual employee retirement benefit obligation is sensitive to the assumptions used. The following table summarises how the retirement benefit obligation as at 31 December 2018 and 2017 would have changed as a result of a change in the assumptions used.

| | Impact on defined benefit obligation | | | | | |
|---|---|---|---|---|---|---|
| | **Change in Assumptions** | | **Increase in assumptions** | | **Decrease in assumptions** | |
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Discount rate | 1%pa | 1%pa | -12.3% | -12.5% | +15.0% | +15.3% |
| Future salary increases | 1%pa | 1%pa | +14.0% | +14.6% | -11.7% | -12.1% |

These sensitivities were computed by re-calculating the casual employee retirement benefit obligation using the revised assumptions. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the prior year.

## 19 Revenue

a. *Accounting policy*

*Revenue recognition*

Revenue represents the amounts earned for lease rents, port and warehousing services and management fees, and is shown net of value added tax, discounts and after eliminating sales within the Group. Revenue from providing services is recognised in the accounting period in which the services are rendered. For lease contracts, revenue is recognised based on the actual lease provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met as follows:

(i) *Port operations*

Revenue is governed by an established tariff. The tariff details all services offered by the Corporation - Port and Warehouse. Revenue from providing services, for marine, mooring and unmooring, container handling, and storage rent etc. are recognised in the accounting period in which the services are rendered.

## 19 Revenue (continued)

a. *Accounting policy (continued)*

(ii) *Estate operations*

*Lease rental income*

Revenue earned as rental income is recognised on an accrual basis in accordance with the terms of the individual lease agreements with tenants. Lease premiums are deferred and recognised as revenue over the term of the lease.

*Investment property lease premiums*

Leases between the parent company and tenants on the Industrial Estate are usually of two types, 30 year leases and 96 years and longer leases. The premiums received on 96 year leases are accounted for on a deferral basis. They are taken into income in equal annual amounts over the lives of the leases.

*Commitment fees*

Commitment fees received on all leases are taken into income upon receipt.

b. *Disaggregation of revenue from contracts with customers*

The group derives revenue from estate lease rent overtime and at a point in time for Cargo Handling Operations and Support departments.

| | Port and related activities $'000 | Estate $'000 | Support activities $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | |
| Revenue | 178,897 | 99,098 | 1,794 | 279,789 |
| Timing of revenue recognition | | | | |
| At a point in time | 178,897 | -- | 1,794 | 180,691 |
| Overtime | -- | 99,098 | -- | 99,098 |
| | 178,897 | 99,098 | 1,794 | 279,789 |
| **Year ended 31 December 2017** | | | | |
| Revenue | 175,361 | 80,508 | 905 | 256,774 |
| Timing of revenue recognition | | | | |
| At a point in time | 175,361 | -- | 905 | 176,266 |
| Overtime | -- | 80,508 | -- | 80,508 |
| | 175,361 | 80,508 | 905 | 256,774 |

The revenue reported to the chief operating decision makers is measured in a manner consistent with that in the parent and consolidated statement of profit or loss and other comprehensive income.

## 19 Revenue (continued)

### c. *Liabilities related to contracts with customers*

The Group has recognised the following liabilities related to contracts with customers:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Current liability | 4,474 | 4,498 |
| Non-current liability | 58,066 | 59,131 |
| | 62,540 | 63,629 |

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| | | At beginning of year: | | |
| 5,788 | 5,601 | 30 year leases and unearned revenue | 5,601 | 5,788 |
| 58,802 | 58,029 | 96 years and longer leases | 58,029 | 58,802 |
| 64,590 | 63,630 | | 63,630 | 64,590 |
| 79,548 | 98,010 | Amounts received during the year | 98,010 | 79,548 |
| 144,138 | 161,640 | | 161,640 | 144,138 |
| (80,508) | (99,098) | Income brought into account (Note 21b.) | (99,098) | (80,508) |
| 63,630 | 62,542 | At end of year | 62,542 | 63,630 |
| | | Summarised as follows: | | |
| 5,601 | 5,285 | 30 year leases and unearned revenue | 5,285 | 5,601 |
| 58,028 | 57,255 | 96 years and longer leases | 57,255 | 58,028 |
| 63,629 | 62,540 | | 62,540 | 63,629 |
| (59,131) | (58,066) | Less: long-term portion | (58,066) | (59,131) |
| 4,498 | 4,474 | Current portion | 4,474 | 4,498 |

(i) Significant changes in contract liabilities

Contract liabilities decrease in 2018 due to reduction of years in the various leases.

## 20 Trade and other payables

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 4,060 | 3,758 | Trade payables | 3,758 | 7,571 |
| 25,800 | 32,545 | Other payables and accruals | 38,188 | 27,895 |
| 29,860 | 36,303 | | 41,946 | 35,466 |
| 6,406 | 6,233 | Due to subsidiary | -- | -- |
| 36,266 | 42,536 | | 41,946 | 35,466 |

Included within other payables and accruals is an amount for the provision for property tax for the year 2018. This amount was nil in 2017 and moved to $1,935 in 2018.

**20 Trade and other payables (continued)**

a. *Accounting policy*

*Trade payables*

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

*Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the end of the reporting period.

b. *Fair value of trade payables*

Due to the short term nature of the current payables, their carrying amount is assumed to be the same as their fair value.

**21 Segment information – group**

a. *Accounting policy*

*Segments*

Operating segments are reported in a manner consistent with the internal reporting provided to the President and the management team, which is the team responsible for allocating resources and assessing performance of the operating segments and is also responsible for making strategic decisions. The Group's executive management team, consisting of the President, the Vice Presidents of Business Services, Port and Technical, examines the Group's performance from an operations perspective and has identified two reportable segments of its business.

(i) Port operations – This covers services supplied for the import, export and transhipment of containers and general cargo. The fees for these services include handling charges, storage rents, stuffing/unstuffing and other miscellaneous services. These are all based on an established tariff.

(ii) Estate operations – This covers operations involved in the development, maintenance and supply of onshore infrastructure which are leased to tenants at contracted rates as charged for occupancy, wayleaves and common service charges.

These are the reportable segments of the Group as they form the basis used by the President and management team, as the chief operating decision makers, for assessing performance and allocating resources.

## 21 Segment information – group (continued)

a. *Accounting policy (continued)*

These reported segments are closely integrated as the viability of one segment depends on the continued operations of the other. As such, the operation comprises one cash generating unit, which is taxed as one unit and for which other expenses do not relate entirely to one segment.

b. *Segment operations*

| | Port and related activities $'000 | Estate $'000 | Support activities $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | |
| Revenue | 178,897 | 99,098 | 1,794 | 279,789 |
| Gross profit | 90,080 | 99,098 | 1,794 | 190,972 |
| Unrealised fair value gains on investment properties | -- | 152,445 | -- | 152,445 |
| Depreciation | (30,981) | (1,081) | (1,685) | (33,747) |
| Repairs and maintenance | (17,747) | (573) | (3,801) | (22,121) |
| Other expenses – net | (55,336) | (8,328) | (50,441) | (114,105) |
| Finance costs | (3,257) | -- | (417) | (3,674) |
| Profit before taxation | | | | 169,770 |
| **Year ended 31 December 2017** | | | | |
| Revenue | 175,361 | 80,508 | 905 | 256,774 |
| Gross profit | 88,726 | 80,508 | 905 | 170,139 |
| Unrealised fair value gains on investment properties | -- | 37,695 | -- | 37,695 |
| Depreciation | (31,983) | (1,117) | (2,166) | (35,266) |
| Repairs and maintenance | (15,673) | (837) | (2,244) | (18,754) |
| Other expenses – net | (54,402) | (5,116) | (52,033) | (111,551) |
| Finance costs | (3,016) | -- | (234) | (3,250) |
| Profit before taxation | | | | 39,013 |

The revenue reported to the chief operating decision makers is measured in a manner consistent with that in the parent and consolidated statement of profit or loss and other comprehensive income.

## 21 Segment information – group (continued)

c. *Segment assets*

| | Port and Related activities $'000 | Estate $'000 | Support activities $'000 | Total $'000 |
|---|---|---|---|---|
| **Total segment assets** | | | | |
| 31 December 2018 | 562,126 | 2,222,408 | 45,866 | 2,830,400 |
| 31 December 2017 | 575,668 | 2,067,031 | 36,205 | 2,678,904 |

Total assets are measured in a manner consistent with that of the parent and consolidated financial statements. These assets are allocated based on the operations of the segment. Reportable segments' assets are reconciled to total assets as follows:

| | 31 December 2018 $'000 | 2017 $'000 |
|---|---|---|
| Total segment assets | 2,830,400 | 2,678,904 |
| Cash and cash equivalents | 116,750 | 121,057 |
| Deferred income tax | 17,122 | 16,143 |
| Other assets | 18,043 | 5,837 |
| Total assets as per statement of financial position | 2,982,315 | 2,821,941 |

Total segment assets include additions to property, plant and eqiupment as follows:

| | Port and Related activities $'000 | Estate $'000 | Support activities $'000 | Total $'000 |
|---|---|---|---|---|
| 31 December 2018 | 34,901 | 3,456 | 664 | 39,021 |
| 31 December 2017 | 34,227 | 138 | 757 | 35,122 |

d. *Segment liabilities*

Total liabilities are centrally managed and are not allocated by segments.

## 22 Expenses by nature

| PARENT 2017 $'000 | PARENT 2018 $'000 | | GROUP 2018 $'000 | GROUP 2017 $'000 |
|---|---|---|---|---|
| 158,640 | 161,821 | Staff costs (Note 17) | 161,064 | 157,881 |
| 35,266 | 33,747 | Depreciation (Note 5) | 33,747 | 35,266 |
| 13,560 | 14,797 | Utilities | 14,797 | 13,560 |
| 10,980 | 12,400 | Repairs and maintenance spares utilised | 12,400 | 10,980 |
| 7,774 | 9,721 | Repairs and maintenance on property, plant and equipment | 9,721 | 7,774 |
| 6,812 | 7,427 | Other | 5,619 | 6,812 |
| 7,088 | 7,040 | Office expenses | 7,309 | 7,360 |
| 5,434 | 5,619 | Insurance | 7,427 | 5,434 |
| 3,192 | 3,311 | Vehicle and transport | 3,311 | 3,192 |
| 1,991 | 2,202 | Legal and professional fees | 2,202 | 1,991 |
| 1,887 | 1,864 | Communication | 1,874 | 1,897 |
| 1,052 | 1,115 | Marketing | 1,115 | 1,052 |
| 829 | 829 | Directors' remuneration | 829 | 829 |
| 245 | (79) | Impairment loss | (79) | 245 |
| 133 | (1,266) | Bad debts | (1,266) | 133 |
| 254,883 | 260,548 | Total cost of providing services, administrative expenses and other operating expenses | 260,070 | 254,406 |

## 23 Contingent liabilities

| | | |
|---|---|---|
| a. Customs bonds | 2,250 | 2,250 |

b. The Corporation is a party to various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not result in any significant additional liabilities and therefore no provision has been made in these parent and consolidated financial statements.

c. Lease commitments

The Company/ Group leases certain vehicles and copiers under non-cancellable operating lease agreement. The lease terms are for periods ranging between 1 to 3 years. The lease expenditure charged to the parent and consolidated statement of profit or loss during the year was $2,753,476 (2017: $2,942,210).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Less than 1 year | 1,602,708 | 1,602,708 |
| Between 1 and 2 years | 1,543,200 | 1,543,200 |
| Between 2 and 5 years | 1,543,200 | 1,543,200 |
| | 4,689,108 | 4,689,108 |

## 24 Summary of significant accounting policies

This Note provides a list of the significant accounting policies adopted in the preparation of these parent and consolidated financial statements to the extent they have not already been disclosed in the other Notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Point Lisas Industrial Port Development Corporation Limited and its subsidiary, Point Lisas Terminals Limited.

a. *Basis of preparation*

(i) *Compliance with IFRS*

These parent and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to Companies reporting under IFRS. The parent and consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) *Historical cost convention*

The parent and consolidated financial statements have been prepared on a historical cost basis, except for the following:

- the revaluation of land, buildings and own site improvements – measured at fair value,
- investment properties – measured at fair value,
- financial assets at fair value through other comprehensive income – measured at fair value, and
- defined benefit pension plans – plan assets measured at fair value.

(iii) *New standards, amendments and interpretations adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments and associated amendments to various other standards
- IFRS 15 Revenue from contracts with customers and associated amendments to various other standard
- Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRS Standards 2014-2016 Cycle, and
- Transfers of Investment Property – Amendments to IAS 40.

24 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(iv) *New standards, amendments and interpretations not yet adopted by the Group*

| Title | Key Requirements | Effective Date |
|---|---|---|
| IFRS 16 Leases | IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.<br><br>The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.<br><br>Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.<br><br>The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. | 1 January 2019<br><br>Early adoption is permitted only if IFRS 15 is adopted at the same time. |

### 24 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

(iv) *New standards, amendments and interpretations not yet adopted by the Group (continued)*

| Title | Key Requirements | Effective Date |
|---|---|---|
| Annual Improvements to IFRS Standards 2015-2017 Cycle | The following improvements were finalised in December 2017:<br>• IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.<br>• IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.<br>• IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.<br>• IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. | 1 January 2019 |
| Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 | The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must :<br>• calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change<br>• any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling<br>• separately recognise any changes in the asset ceiling through other comprehensive income. | 1 January 2019 |

### 24 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

b. *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the parent and consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These parent and consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Parent and Group's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the parent and consolidated statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the parent and consolidated statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the parent and consolidated statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

c. *Fair value hierarchy*

Judgments and estimates are made in determining the fair values for items measured at fair value in the parent and consolidated financial statements. The valuation methods used by management were classified into the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

d. *Property, plant and equipment (Note 5 a.)*

e. *Investment properties (Note 6 a.)*

24 **Summary of significant accounting policies (continued)**

f. *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the parent and consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

g. *Financial assets (Note 7 a.)*

h. *Current and deferred income tax (Note 8 b.)*

i. *Inventory (Note 9 a.)*

j. *Trade receivables (Note 10 a.)*

k. *Cash and cash equivalents (Note 11 a.)*

l. *Impairment of non- financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

m. *Share capital (Note 12 a.)*

n. *Borrowings (Note 16 a.)*

o. *Trade payables (Note 20 a.)*

p. *Provisions (Note 20 a.)*

q. *Employee benefits*

- *Termination benefits (Note 17 a.)*
- *Bonus plans (Note 17 a.)*
- *Employee share ownership plan (Note 17 a.)*
- *Pension obligations (Note 18 a. (i))*
- *Casual employee retirement benefit (Note 18 b. (i))*

r. *Segment reporting (Note 21 a.)*

s. *Revenue recognition (Note 19 a.)*

t. *Rounding of amounts*

All amounts disclosed in the parent and consolidated financial statements and notes have been rounded to the nearest thousand currency units unless otherwise stated.